Education Realty Trust, Inc.
Form 10-Q
August 11, 2006

Table of Contents

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

(Mark One)

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

For the quarterly period ended June 30, 2006

Or

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

For the transition period from to

Commission File Number: 001-32417
Education Realty Trust, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**20-1352180**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
530 Oak Court Drive, Suite 300, Memphis, Tennessee	**38117**
(Address of principal executive offices)	(Zip Code)

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

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 þ No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

As of August 9, 2006, the latest practicable date, the Registrant had outstanding 26,514,099 shares of common stock, $.01 par value per share.

Table of Contents

EDUCATION REALTY TRUST, INC.
FORM 10-Q
QUARTER ENDED JUNE 30, 2006
TABLE OF CONTENTS

Table of Contents

Part I Financial Information

Item 1. Financial Statements.

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Student housing properties, net	$ 819,121	$ 620,305
Corporate office furniture, net	876	991
Cash and cash equivalents	5,247	61,662
Restricted cash	9,525	6,738
Student contracts receivable, net	378	470
Receivable from affiliate	98	
Management fee receivable from third party	399	552
Goodwill and other intangibles, net	3,793	3,546
Other assets	8,331	9,785
Total assets	$ 847,768	$ 704,049
Liabilities and stockholders equity		
Liabilities:		
Mortgage loans, net of unamortized premium/discount	$ 425,959	$ 328,335
Other long term debt	50,000	
Line of credit and other short term debt	15,400	
Accounts payable and accrued expenses	10,308	9,370
Accounts payable affiliate		225
Deferred revenue	6,655	7,660
Total liabilities	508,322	345,590
Minority interest	20,368	27,926
Commitments and contingencies		
Stockholders equity:		
Common stock, $.01 par value, 200,000,000 shares authorized, 26,384,939 and 26,263,889 shares issued and outstanding as of June 30, 2006 and December 31, 2005, respectively	264	263
Preferred shares, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding		

Additional paid-in capital		337,506		351,664
Loan to unitholder				(5,996)
Warrants		375		375
Accumulated deficit		(19,067)		(15,773)
Total stockholders equity		319,078		330,533
Total liabilities and stockholders equity	$	847,768	$	704,049

See accompanying notes to the condensed consolidated and combined financial statements.

Table of Contents

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES AND EDUCATION REALTY TRUST PREDECESSOR CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

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

	Education Realty Trust, Inc. Consolidated		EDR Predecessor Combined
	Six months ended June 30, 2006 (Unaudited)	Six months ended June 30, 2005 (Unaudited)	January 1 through January 30, 2005
Revenues:			
Student housing leasing revenue	$ 43,901	$ 31,184	$ 1,503
Student housing food service revenue	1,775	1,441	269
Other leasing revenue	6,868		
Third-party development services	1,427	182	
Third-party management services	1,398	644	103
Operating expense reimbursements	3,745	2,064	671
Total revenues	59,114	35,515	2,546
Operating expenses:			
Student housing leasing operations	18,737	13,212	524
Student housing food service operations	1,583	1,316	255
General and administrative	6,165	7,577	367
Depreciation and amortization	18,240	15,151	260
Reimbursable operating expenses	3,745	2,064	671
Total operating expenses	48,470	39,320	2,077
Operating income (loss)	10,644	(3,805)	469
Nonoperating expenses:			
Interest expense	14,131	6,805	479
Exit fees on early repayment of mortgages		1,084	
Amortization of deferred financing costs	553	330	
Interest income	(338)	(484)	
Total nonoperating expenses	14,346	7,735	479
Loss before equity in earnings of unconsolidated entities, income taxes and minority interest	(3,702)	(11,540)	(10)
Equity in earnings of unconsolidated entities	425	228	27

Income (loss) before income taxes and minority interest		(3,277)		(11,312)		17
Income tax expense (benefit)		82		(170)		
Net income (loss) before minority interest		(3,359)		(11,142)		17
Minority interest		(65)		(767)		
Net income (loss)	$	(3,294)	$	(10,375)	$	17
Earnings per share information:						
Loss per share basic and diluted	$	(0.13)	$	(0.47)		
Weighted average common shares outstanding- basic and diluted		26,309,154		21,859,108		
Distributions per common share	$	.5950	$	.19		

See accompanying notes to the condensed consolidated and combined financial statements.

Table of Contents

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share data)
Unaudited

	Three months ended June 30, 2006	Three months ended June 30, 2005
Revenues:		
Student housing leasing revenue	$ 21,367	$ 19,096
Student housing food service revenue	807	853
Other leasing revenue	3,434	
Third-party development services	872	173
Third-party management services	699	355
Operating expense reimbursements	1,950	1,378
Total revenues	29,129	21,855
Operating expenses:		
Student housing leasing operations	9,448	8,308
Student housing food service operations	724	796
General and administrative	3,185	2,401
Depreciation and amortization	9,087	9,392
Reimbursable operating expenses	1,950	1,378
Total operating expenses	24,394	22,275
Operating income (loss)	4,735	(420)
Nonoperating expenses:		
Interest expense	7,261	4,228
Exit fees on early repayment of mortgages		
Amortization of deferred financing costs	279	214
Interest income	(129)	(205)
Total nonoperating expenses	7,411	4,237
Loss before equity in earnings of unconsolidated entities, income taxes and minority interest	(2,676)	(4,657)
Equity in earnings of unconsolidated entities	142	157
Income (loss) before income taxes and minority interest	(2,534)	(4,500)

Income tax expense (benefit)		186		(104)
Net income (loss) before minority interest		(2,720)		(4,396)
Minority interest		(206)		(336)
Net income (loss)	$	(2,514)	$	(4,060)
Earnings per share information:				
Loss per share basic and diluted	$	(0.10)	$	(0.19)
Weighted average common shares outstanding- basic and diluted		26,349,426		21,862,719
Distributions per common share	$	.2975	$	.19

See accompanying notes to the condensed consolidated and combined financial statements.

Table of Contents

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES AND EDUCATION REALTY TRUST PREDECESSOR CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Education Realty Trust, Inc. Consolidated Six months ended June 30, 2006 (Unaudited)	Education Realty Trust, Inc. Consolidated Six months ended June 30, 2005 (Unaudited)	EDR Predecessor Combined January 1 through January 30, 2005
Operating activities:			
Net income (loss)	$ (3,294)	$ (10,375)	$ 17
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	18,240	15,151	246
Deferred tax (benefit) expense	(34)		
Gain on disposal of assets	(21)		
Amortization of deferred financing costs	553	330	14
Amortization of unamortized debt premiums/discounts	(266)	(63)	
Distributions from unconsolidated entities	112	564	
Noncash compensation expense related to PIUs and restricted stock	528	4,374	
Equity in earnings of unconsolidated entities	(425)	(228)	(27)
Minority interest	(65)	(767)	
Change in operating assets and liabilities (net of acquisitions)	(1,820)	(1,313)	(92)
Net cash provided by operating activities	13,508	7,673	158
Investing activities:			
Property acquisitions, net of cash acquired	(113,236)	(174,951)	(25)
Deferred acquisition costs and earnest money deposits	(100)	(202)	
Purchase of corporate furniture and fixtures	(39)	(904)	
Restricted cash	(411)	(1,769)	(2,348)
Insurance proceeds on property loss	135		
Investment in student housing properties	(1,712)	(767)	
Investment in joint venture	(1)		
Net cash used in investing activities	(115,364)	(178,593)	(2,373)
Financing activities:			
Payment of mortgage notes	(770)	(115,102)	(98)

Borrowings of long-term debt	50,000		
Debt issuance costs	(1,340)	(3,050)	
Borrowing (repayment) of line of credit, net	14,500	(502)	
Loan to unitholder		(5,996)	
Proceeds from Offering		349,600	
Payment of offering costs	(125)	(26,963)	
Dividends and distributions paid	(16,816)	(4,544)	
Repayment of notes payable affiliate		(485)	
Redemption of minority interest	(8)		
Net cash provided by (used in) financing activities	45,441	192,958	(98)
Net increase (decrease) in cash and cash equivalents	(56,415)	22,038	(2,313)
Cash and cash equivalents, beginning of period	61,662	1	2,883
Cash and cash equivalents, end of period	$ 5,247	$ 22,039	$ 570
Supplemental disclosure of cash flow information:			
Interest paid	$ 14,302	$ 7,001	$ 471
Income taxes paid	$ 718	$	$
Supplemental disclosure of noncash activities:			
Prepaid offering costs charged against equity	$	$ 2,218	$
Prepaid acquisition costs	4,718		
Units issued in connection with acquisitions		26,340	
Warrants issued		375	
Debt assumed in property acquisitions net of premium		444,955	
Redemption of minority interest to satisfy loan to unitholder	6,116		

See accompanying notes to the condensed consolidated and combined financial statements.

Table of Contents

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES AND
EDUCATION REALTY TRUST PREDECESSOR
NOTES TO CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)
(Unaudited)

1. Organization and description of business

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

The Trust was formed to succeed to the business of a group of entities collectively referred to herein as the Education Realty Trust Predecessor (the EDR Predecessor). The EDR Predecessor was not a legal entity, but rather a combination of certain real estate entities under common management. The EDR Predecessor consisted of the following limited liability companies and limited partnerships:

Allen & O Hara Education Services, LLC (AOES), a Tennessee limited liability company performing student housing management activities.

Allen & O Hara Development Company, LLC (AODC), a limited liability company and formerly a wholly owned subsidiary of AOES, providing development consulting services for third party student housing properties.

Allen & O Hara Educational Properties LLC, a limited liability company, previously holding the ownership interests in the student housing property referred to as The Gables Apartments (The Gables).

Education Properties Trust, LLC (EPT), a Delaware limited liability company, owned and managed the following four garden-style student housing properties through four separate wholly-owned limited liability companies:

Players Club Apartments, Tallahassee, Florida

The Reserve at Athens, Athens, Georgia

The Reserve at Clemson, Clemson, South Carolina

NorthPointe Apartments, Tucson, Arizona

C Station, LLC, a Tennessee limited liability company, owned and operated one garden-style student housing property referred to as College Station.

University Towers Raleigh, LLC, a North Carolina limited liability company, owned a student housing property referred to as University Towers.

Paul O. Bower (the Promoter) formed the Trust with the intent to effect the Offering of the common stock of the Trust. Concurrent with the Offering, the Trust contributed the net proceeds from the offering for 100% of the general partnership interests and a majority of the limited partnership interests in a newly formed majority-owned Delaware limited partnership, Education Realty Operating Partnership, LP (the Operating Partnership). The Operating Partnership together with Allen & O Hara Education Services, Inc. (the taxable REIT subsidiary or TRS), and the partners and members of the affiliated partnerships and limited liability companies of the EDR Predecessor, engaged in the formation transactions described in Note 2.

The Operating Partnership owns, directly or indirectly, interests in student housing communities located near major universities in the United States. The Trust also provides real estate facility management, development and other advisory services through subsidiaries of the Operating Partnership to third parties and to joint ventures in which the Trust is invested.

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

Table of Contents

2. The offering, the formation transactions and the private placement

The Trust completed the offering of its common stock on January 31, 2005. The Trust sold 21,850,000 shares of common stock, including 2,850,000 shares related to the full exercise of the over-allotment option by the underwriters of the Offering, at a price of $16.00 per share. The Offering raised net proceeds of approximately $320.4 million, after underwriting discounts and offering expenses of approximately $29.2 million. The Trust contributed the net proceeds of the Offering for 100% of the general partnership interests and a majority of the limited partnership interests in the Operating Partnership.

Concurrent with the Offering the Operating Partnership acquired directly or indirectly the EDR Predecessor entities for $36.5 million in cash, the issuance of $18.3 million in Operating Partnership units and the assumption of $81.5 million of debt. The Operating Partnership also acquired 14 properties referred to as the JPI portfolio simultaneous with the Offering. The purchase price approximated $401,975. The Operating Partnership assumed total first mortgage debt of $311,500, and repaid $93,360 with the use of the net proceeds of the Offering. Additionally the Operating Partnership issued warrants approximating $375 in value and Operating Partnership units approximating $7,995 in estimated value. The acquisition of the EDR Predecessor and the JPI portfolio is referred to herein as the Formation Transactions.

On September 30, 2005, the Trust completed a private placement of 4,375,000 shares of its common stock at a price of $16.00 per share (the Private Placement). The Private Placement raised net proceeds of approximately $67 million, after offering expenses of approximately $3 million. These shares were registered with the Securities and Exchange Commission on January 25, 2006. The proceeds were used to acquire the 13 student housing properties from Place Properties, L.P. (Place Portfolio) on January 6, 2006 discussed in Note 8.

3. Summary of significant accounting policies

Basis of presentation and principles of consolidation and combination

The accompanying consolidated and combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP). The accompanying consolidated financial statements of the Trust represent the assets and liabilities and operating results of the Trust and its majority owned subsidiaries. The Trust did not have material operating activity during the period prior to the Offering and therefore the operating results for the period January 1 through January 30, 2005 are not presented.

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

The accompanying combined financial statements of the EDR Predecessor for the period January 1, 2005 through January 30, 2005 represent operating results of the entities comprising the EDR Predecessor. The historical combined financial statements of the EDR Predecessor are presented as the Promoter, either directly or indirectly through his previous ownership in AOES, managed the EDR Predecessor prior to the Trust acquiring those interests in connection with the Formation Transactions.

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

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Certain overhead costs were previously included in student housing leasing operations expense in the statement of operations in the prior year interim financial statements. These costs were reclassified to general and administrative expense to conform to the way the business is managed. The costs totaled $719 and $1,126 for the three and six months ended June 30, 2005, respectively.

Interim financial information

The accompanying unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, that in the opinion of management are necessary for a fair presentation of the Trust s and EDR Predecessor s financial position, results of operations and cash flows for such periods. Because of the seasonal nature of the business, the operating results and cash flows are not necessarily indicative of results that may be expected for any other interim periods or for the full fiscal year. These financial statements should be read in conjunction with the Trust s consolidated financial statements and related notes, together with the Trust s annual report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

Table of Contents

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used by management in determining the useful lives of student housing assets, the valuation of goodwill, the initial valuations and underlying allocations of purchase price in connection with student property acquisitions, and in the recording of the allowance for doubtful accounts. Actual results could differ from those estimates.

Cash and cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. Restricted cash is excluded from cash for the purpose of preparing the consolidated and combined statements of cash flows. The Trust maintains cash balances in various banks. At times the amounts of cash may exceed the $100,000 amount the FDIC insures. The Trust does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Restricted cash

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

Distributions

The Trust pays regular quarterly cash distributions to shareholders. These distributions are determined quarterly by the Board based on the operating results, economic conditions, capital expenditure requirements, the Internal Revenue Code s REIT annual distribution requirements, leverage covenants imposed by our revolving credit facility and other debt documents, and any other matters the Board deems relevant.

Student housing properties

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

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

Management assesses impairment of long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment and Disposal of Long-lived Assets.* SFAS No. 144 requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with SFAS No. 144, management uses an estimate of future undiscounted cash flows of the related asset over the remaining life in measuring whether the assets are recoverable. As of June 30, 2006, management determined that no indicators of impairment existed.

Investment in unconsolidated joint ventures and limited liability companies

The Operating Partnership accounts for its investments in unconsolidated joint ventures and limited liability companies using the equity method whereby the cost of an investment is adjusted for the share of equity in earnings of the respective investment reduced by distributions received. The earnings and distributions of the unconsolidated joint ventures and limited liability companies are allocated based on each owner s respective ownership interests.

Deferred financing costs

Deferred financing costs represent costs incurred in connection with acquiring debt facilities. These costs are amortized over the terms of the related debt using a method that approximates the effective interest method.

Table of Contents

Offering and Private Placement costs

Specific incremental costs directly attributable to the Offering and the Private Placement were deferred and charged against the gross proceeds. Accordingly, underwriting commissions and other stock issuance costs are reflected as a reduction of additional paid-in capital.

Debt premiums/discounts

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

Income taxes

The Trust has elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code of 1986, as amended (the Code). The Trust is generally not subject to federal income tax to the extent that it distributes at least 90% of its taxable income for each tax year to its shareholders. REITs are subject to a number of organizational and operational requirements. If the Trust fails to qualify as a REIT in any taxable year, the Trust will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income and property and to federal income and excise taxes on its undistributed income.

The Trust has elected to treat its management company, AOES, as a taxable REIT subsidiary (TRS). The TRS is subject to federal, state and local income taxes. AOES manages the Trust s non-REIT activities.

Earnings per share

The Trust calculates earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings per share is calculated by dividing net earnings available to common shares by weighted average common shares outstanding. Diluted earnings per share is calculated similarly, except that it includes the dilutive effect of the assumed exercise of potentially dilutive securities. At June 30, 2006, the following potentially dilutive securities were outstanding, but were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive:

Operating Partnership units	914
University Towers Operating Partnership units	270
Restricted Stock (unvested shares)	129
Profits Interest Units	255
Total potentially dilutive securities	1,568

A reconciliation of the numerators and denominators for the basic and diluted earnings per share computations is not required due to the fact the effect of the inclusion of all potentially dilutive securities would be anti-dilutive when computing diluted earnings per share; thus, the computation for both basic and diluted earnings per share is the same.

Goodwill and other intangible assets

The Trust accounts for its goodwill and other intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets* . Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value.

Minority interests

Minority interests in the Operating Partnership represent limited partnership interests in the form of operating partnership units and profits interest units. Income is allocated to minority interests based on weighted average percentage ownership each fiscal quarter.

Revenue recognition

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

Student housing leasing revenue Student housing leasing revenue is comprised of all revenue related to the leasing activities at the student housing properties and includes revenues from the leasing of space, from parking lot rentals, and from providing certain ancillary services. This revenue is reflected in student housing leasing revenue in the accompanying consolidated and combined statements of

Table of Contents

operations. Students are required to execute lease contracts with payment schedules that vary from single to monthly payments. Generally, the Trust requires each executed leasing contract to be accompanied by a nonrefundable application fee and a signed parental guarantee. Receivables are recorded when billed, revenues and related lease incentives and nonrefundable application fees are recognized on a straight-line basis over the term of the contracts. The Trust has no contingent rental contracts except as noted below related to other leasing revenue. At certain student housing facilities the Trust and EDR Predecessor offer parking lot rentals to the tenants. The related revenues are recognized on a straight-line basis over the term of the related agreement.

Student housing food service revenue The Trust provides food service to an unaffiliated secondary boarding school through a contract covering a nine-month period. The contract requires a flat weekly fee and the related revenues are recognized on a straight-line basis over the contract period. Additionally, the Trust maintains a dining facility at University Towers, which offers meal plans to the tenants as well as dining to other third party customers. The meal plans typically require upfront payment by the tenant covering the school semester and the related revenue is recognized on a straight-line basis over the corresponding semester.

Other leasing revenue Other leasing revenue relates to our leasing of the 13 properties we acquired from Place Properties (Place) discussed in Note 8. Simultaneous with the acquisition of the 13 properties, the Trust leased the assets to Place and receives base monthly rent of $1,145 and has the right to receive Additional Rent annually if the properties exceed certain criteria defined in the lease agreement. Base rent is recognized on a straight-line basis over the lease term and Additional Rent is recognized only upon satisfaction of the defined criteria.

Third-party development consulting services revenue The Trust provides development consulting services in an agency capacity with third parties whereby the fee is determined based upon the total construction costs. Total fees vary from 3-5% of the total estimated costs and we typically receive a portion of the fees up front. These fees, including the upfront fee, are recognized using the percentage of completion method in proportion to the contract costs incurred by the owner over the course of the construction phases of the respective projects.

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

Operating expense reimbursement revenue The Trust pays certain payroll and related costs related to the operations of third party student housing properties that are managed by the Trust. Under the terms of the related management agreements, the third party property owners reimburse these costs. The amounts billed to the third party owners are recognized as revenue in accordance with Emerging Issues Task Force No. 01-14, *Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred.*

Recent accounting pronouncements

In December 2004, SFAS No. 153, *Exchange of Nonmonetary Assets,* was issued. SFAS No. 153 amends APB Opinion No. 29, *Accounting for Nonmonetary Transactions* to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. That exception required that some nonmonetary exchanges be recorded on a carryover basis versus SFAS No. 153, which requires an entity record a nonmonetary exchange at fair value and recognize any gain or loss if the transaction has commercial substance. The standard specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective the fiscal year beginning January 1, 2006. The adoption of SFAS No. 153 had no material impact on the Trust s consolidated financial condition or results of operations.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123 (revised December 2004), *Share-Based Payment* (Statement 123(R)). Statement 123(R) replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employee*. Statement 123(R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost is measured based on the grant-date fair value of the equity instruments issued. Compensation cost is recognized over the period that an employee provides service in exchange for the award. Statement 123(R) is effective as of the beginning of the first annual reporting period that begins after June 15, 2005. The adoption of Statement 123(R) as of January 1, 2006 had no material impact on the Trust s consolidated financial condition or results of operations. See Note 9 for further discussion of share based compensation plans.

In June 2005, the FASB ratified EITF 04-5: *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). EITF 04-5 provides a framework for determining whether a general partner is required to consolidate limited partners. The new framework is significantly different than the guidance in SOP 78-9 and would make it more difficult for a general partner to overcome the presumption that it controls the limited partnership, requiring the limited partner to have substantive kick-out or participating rights. Kick-out rights are the right to dissolve or liquidate the partnership or to otherwise remove the general partner without cause and participating rights are the right to effectively

Table of Contents

participate in significant decisions made in the ordinary course of the partnership s business. EITF 04-5 became effective immediately for all newly formed limited partnerships and existing limited partnerships which are modified. The guidance will become effective for existing limited partnerships which are not modified the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF 04-5 had no material impact on the Trust s consolidated financial condition or results of operations.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations-an interpretation of FASB Statement No. 143* (Interpretation 47). Interpretation 47 clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, (Statement 143) refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Interpretation 47 is effective no later than the end of fiscal years ending after December 15, 2005, (December 31, 2005, for calendar-year enterprises). The adoption of Interpretation 47 had no material impact on the Trust s consolidated financial condition or results of operations.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 becomes effective on January 1, 2007. The adoption of Interpretation 48 is expected to have no material impact on the Trust s consolidated financial condition or results of operations.

4. Investments in unconsolidated entities

As of December 31, 2005 and June 30, 2006, the Trust had investments, directly or indirectly, in the following unconsolidated joint ventures and limited liability companies that are accounted for under the equity method:

Salisbury Student Apartment Developers Joint Venture, 33% owned by AOES

Salisbury Student Apartment Developers LLC, a Maryland limited liability company, 33% owned by the Promoter

University of Louisville Apartment Developers LLC, a Kentucky limited liability company, 50% owned by the Promoter

Hines/AOES LLC, an Alabama limited liability company, 50% owned by AOES

National Development/Allen & O Hara CUPA, LLC, a Pennsylvania limited liability company, 50% owned by Allen & O Hara Development Company, LLC (AODC)

National Development/Allen & O Hara Lock Haven, LLC, a Pennsylvania limited liability company, 50% owned by AODC

National Development/Allen & O Hara Clarion, LLC, a Pennsylvania limited liability company, 50% owned by AODC

Allen & O Hara National Development Bloomsburg LLC, a Pennsylvania limited liability company, 50% owned by AODC

Allen & O Hara / Academic Privatization LLC, a Tennessee limited liability company, 50% owned by AODC

On May 1, 2006, the Trust invested in the following unconsolidated joint ventures and limited liability companies which are accounted for under the equity method:

University Village-Greensboro LLC, a Delaware limited liability company, 25% owned by EDR Greensboro

AODC/CPA, LLC, a Delaware limited liability company, 50% owned by AODC

Table of Contents

These entities primarily provide development consulting services to third party student housing owners in an agency capacity. The following is a summary of financial information for the unconsolidated joint ventures and limited liability companies for the six months ended June 30, 2006 and 2005:

	2006	2005
Results of Operations:		
Revenues	$936	$474
Net income	849	466
Equity in earnings of unconsolidated entities	$425	$255

On June 23, 2006 the Operating Partnership entered an earnest money escrow agreement related to the potential purchase of a student housing property located in Riverside, California and deposited $1,000 with the escrow agent. If completed, the acquisition is expected to be consummated through a joint venture. As part of the anticipated joint venture arrangement the Operating Partnership received $900 from the potential joint venture partner in exchange for a promissory note payable. The escrow deposit is reflected in other assets in the accompanying balance sheet at June 30, 2006. On August 4, 2006 the joint venture was formed and concurrently the promissory note was offset against the corresponding amount in escrow.

5. Debt

Notes payable and credit facility

At December 31, 2004, the Operating Partnership had a Business Loan Agreement (the Agreement) with a financial institution with an outstanding balance of $497. All outstanding amounts under the Agreement were paid off on January 31, 2005 with proceeds of the Offering.

The EDR Predecessor also had a demand note payable to the Promoter that allowed it to borrow up to $600. The note had an outstanding balance of $485 at December 31, 2004, and was paid in full on January 31, 2005 as part of the Formation Transactions.

The Operating Partnership obtained a revolving credit facility on January 31, 2005 from JPMorgan Chase Bank, N.A. and UBS Loan Finance LLC as co-lead managers. Those entities are affiliates of J.P. Morgan Securities Inc. and UBS Securities LLC, which were underwriters of the Offering. The revolving credit facility originally had availability in the amount of $75 million and was subsequently increased to $100 million on April 4, 2005.

On March 30, 2006 the Operating Partnership amended and restated the revolving credit facility (the Amended Revolver) dated January 31, 2005 and entered into a senior unsecured term loan facility (the Term Loan) in the amount of $50 million. The Trust will serve as the guarantor for any funds borrowed by the Operating Partnership under the Amended Revolver and the Term Loan. Additionally, the Amended Revolver is secured in a manner consistent with the original agreement whereby such security generally consists of a cross collateralized, first mortgage lien on all unmortgaged properties. The Term Loan is not directly secured by a lien but has the benefit of a negative pledge on the equity interest in the mortgaged properties. The Amended Revolver and the Term Loan have a term of three years and mature on March 31, 2009, provided that the Operating Partnership may extend the maturity date for one year subject to certain conditions. At June 30, 2006, there was $14.5 million outstanding under the Amended Revolver and $50 million outstanding under the Term Loan. The Term Loan requires interest only payments through maturity.

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

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

The Trust is prohibited from making distributions that exceed $1.20 per share unless prior to and after giving effect to such action the total leverage ratio is less than or equal to 60%. The amount of restricted payments permitted may be increased as long as either of the following conditions is met: (a) after giving effect to the increased restricted payment, the total leverage ratio shall remain less than or equal to 60%; or (b) the increased restricted payment, when considered along with all other restricted payments for the last 3 quarters, does not exceed (i) 100% of funds from operations for the applicable period through and including December 31, 2006, and (ii) 95% of funds from operations for the applicable period thereafter.

The interest rate per annum applicable to the Amended Revolver is, at the Operating Partnership s option, equal to a base rate or LIBOR plus an applicable margin based upon our leverage. The interest rate per annum applicable to the Term Loan is, at the Operating Partnership s option, equal to a base rate plus 1.25% or LIBOR plus 2.75%.

Table of Contents

Mortgage debt

In conjunction with the Formation Transactions, the Operating Partnership assumed total fixed rate mortgage debt of $392,998 with an average interest rate of approximately 5.5%. Concurrent with the closing of the Formation Transactions, the Operating Partnership paid off $115,221 of the assumed debt. In connection with management s decision to prepay certain debt obligations, the Trust recognized a charge of $1,084 in February 2005.

In connection with the 2005, acquisitions the Operating Partnership assumed an additional $48,726 of fixed rate mortgage debt with a weighted average interest rate of 6.49%. In January 2006, the Operating Partnership assumed $98.7 million of mortgage debt with a fixed interest rate of 6.439% in connection with the acquisition of the Place Portfolio.

At June 30, 2006, the Operating Partnership had outstanding mortgage indebtedness of $425,959 (net of unamortized debt premium of $2,601). The scheduled maturities of outstanding mortgage indebtedness at June 30, 2006 are as follows:

Fiscal Year Ending	
2006 (6 months ended December 31, 2006)	$ 1,962
2007	61,222
2008	27,606
2009	282,631
2010	888
2011	947
Thereafter	48,102
Total	423,358
Unamortized debt premium	2,601
Outstanding at June 30, 2006, net of unamortized premium	$425,959

At June 30, 2006, the outstanding mortgage debt had a weighted average interest rate of 5.85% and carried an average term to maturity of 3.2 years.

6. Segments

Business segments are defined by their distinct customer base and service provided. Three reportable segments have been identified: student housing leasing, third-party development consulting services and third-party management services. Management evaluates each segment s performance based on net operating income, which is defined as income before depreciation, amortization, interest expense and equity in earnings of unconsolidated entities. Intercompany fees are reflected at the contractually stipulated amounts. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The following table represents segment information for the six months ended June 30, 2006 and the combined results of operations for Education Realty Trust, Inc. (post Offering) and the EDR Predecessor (pre Offering) for the six months ended June 30, 2005:

	Six Months Ended June 30, 2006					Six Months Ended June 30, 2005(1)				
	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total
Revenues:										

Student housing leasing revenue	$43,901	$	$	$	$43,901	$32,687	$	$	$	$32,687
Student housing food service revenue	1,775				1,775	1,710				1,710
Other leasing revenue	6,868				6,868					
Third-party development consulting services		1,427			1,427		182			182
Third-party management revenue			1,398		1,398			747		747

Table of Contents

	Six Months Ended June 30, 2006					**Six Months Ended June 30, 2005(1)**				
	Student Housing Leasing	**Third-Party Development Consulting Services**	**Third-Party Management Services**	**Adjustments**	**Total**	**Student Housing Leasing**	**Third-Party Development Consulting Services**	**Third-Party Management Services**	**Adjustments**	**Total**
Intersegment revenues			1,783	(1,783)				1,053	(1,053)	
Operating expense reimbursements				3,745	3,745				2,735	2,375
Total revenues	52,544	1,427	3,181	1,962	59,114	34,397	182	1,800	1,682	38,061
Operating Expenses:										
Student housing leasing operations	18,737				18,737	13,736				13,736
Student housing food service operations	1,583				1,583	1,571				1,571
General and administrative		985	2,271		3,256		720	1,482		2,202
Intersegment expenses	1,783			(1,783)		1,053			(1,053)	
Reimbursable operating expenses				3,745	3,745				2,735	2,735
Total operating expenses	22,103	985	2,271	1,962	27,321	16,360	720	1,482	1,682	20,244
Net operating income (loss)	30,441	442	910		31,793	18,037	(538)	318		17,817
Nonoperating expenses(2)	32,172				32,172	23,673				23,673
Income (loss) before equity in	(1,731)	442	910		(379)	(5,636)	(538)	318		(5,856)

earnings of unconsolidated entities, income taxes and minority interest										
Equity in earnings of unconsolidated entities		425			425		255			255
Income (loss) before taxes and minority interest(4)	$ (1,731)	$ 867	$ 910	$	$ 46	$ (5,636)	$ (283)	$ 318	$	$ (5,601)
Total segment assets (3)	$836,094	$1,665	$8,660	$	$846,419	$639,159	$2,360	$5,714	$	$647,233

(1) The segment information presented for the six months ended June 30, 2005 represents the combined results of operations for Education Realty Trust, Inc. (post Offering) and the EDR Predecessor (pre Offering).

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

and amortization of intangibles.

(3) Significant increases in segment assets related to student housing leasing from that presented at December 31, 2005 include the acquisition of the Place Portfolio as described in Note 2 and Note 8 and the acquisition of Statesboro as discussed in Note 8. The decrease in segment assets of $695 related to third party development

Table of Contents

consulting services is related to the funding of project costs on two development projects in 2005. These costs were paid by the Trust under the reimbursement agreements with the foundations developing the student housing communities and were reimbursed upon bond closing.

(4) The following is a reconciliation of the reportable segments net income (loss) before income taxes and minority interest to the Trust s consolidated net income (loss) before income taxes and minority interest:

	2006	2005
Net income (loss) before taxes and minority interest for reportable segments	$ 46	$ (5,601)
Unallocated corporate amounts:		
Noncash compensation charge for PIU s and restricted stock	(528)	(4,375)
Other corporate expenses	(2,795)	(1,336)
Net loss before income taxes and minority interest	$ (3,277)	$ (11,312)

The following table represents segment information for the three months ended June 30, 2006 and 2005:

	Three Months Ended June 30, 2006					Three Months Ended June 30, 2005				
	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total
Revenues:										
Student housing leasing revenue	$21,367	$	$	$	$21,367	$19,096	$	$	$	$19,096
Student housing food service revenue	807				807	853				853
Other leasing revenue	3,434				3,434					
Third-party development consulting services		872			872		173			173
Third-party management revenue			699		699			355		355
Intersegment revenues			865	(865)				574	(574)	
Operating expense reimbursements				1,950	1,950				1,378	1,378
Total revenues	25,608	872	1,564	1,085	29,129	19,949	173	929	804	21,855
Operating Expenses:										
Student housing leasing operations	9,448				9,448	8,308				8,308
Student housing food service operations	724				724	796				796
General and administrative		508	1,176		1,684		439	770		1,209
Intersegment expenses	865			(865)		574			(574)	
Reimbursable operating expenses				1,950	1,950				1,378	1,378
Total operating expenses	11,037	508	1,176	1,085	13,806	9,678	439	770	804	11,691
	14,571	364	388		15,323	10,271	(266)	159		10,164

Net operating
income (loss)

Table of Contents

	Three Months Ended June 30, 2006					Three Months Ended June 30, 2005				
	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total
Nonoperating expenses(1)	16,201				16,201	13,524				13,524
Income (loss) before equity in earnings of unconsolidated entities, income taxes and minority interest	(1,630)	364	388		(878)	(3,253)	(266)	159		(3,360)
Equity in earnings of unconsolidated entities		142			142		157			157
Income (loss) before taxes and minority interest(2)	$ (1,630)	$ 506	$ 388	$	$ (736)	$ (3,253)	$ (109)	$ 159	$	$ (3,203)

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

(2) The following is a reconciliation

of the reportable segments net income (loss) before income taxes and minority interest to the Trust s consolidated net income (loss) before income taxes and minority interest:

	2006	2005
Net income (loss) before taxes and minority interest for reportable segments	$ (736)	$ (3,203)
Unallocated corporate amounts:		
Noncash compensation charge for PIU s and restricted stock	(208)	(220)
Other corporate expenses	(1,590)	(1,077)
Net loss before income taxes and minority interest	$ (2,534)	$ (4,500)

7. Commitments and contingencies

In connection with the acquisition of the JPI portfolio discussed in Note 2, the Operating Partnership entered into an agreement to provide to the seller a revolving loan commitment secured by a pledge of the Operating Partnership units (499,688 units) issued to the seller in the purchase transaction. On April 10, 2006, the Trust redeemed 400,632 Operating Partnership units (minority interest) in full satisfaction of the $5,996 note receivable and accrued interest of $120. The redemption of minority interest was recorded in accordance with SFAS No. 141, *Business Combinations.* The seller was released from the pledge of the remaining 99,056 Operating Partnership units. On April 26, 2006, the seller converted the remaining units to the Trust s common stock.

Additionally in connection with the acquisition of the JPI portfolio, the Trust became aware of a June 2001 notification from the United States Department of Justice of an on-going investigation regarding possible violations of the American Disabilities Act of 1990 and the Fair Housing Amendments Act of 1988. The notification included one of the student housing properties acquired from JPI. In October 2002 the investigations were delayed for an undetermined period of time and therefore such has not been fully resolved. Management does not believe the resolution of this matter will result in a material adverse effect on the Trust s consolidated financial condition or results of operations.

In conjunction with the closing of the acquisition of a student housing property at the University of Florida the Operating Partnership entered into a letter of credit agreement. The letter of credit remains outstanding in the amount of $1,500 at June 30, 2006 and is secured by the Operating Partnership s existing revolving credit facility.

On May 10, 2006, the Operating Partnership guaranteed $23,200 of construction debt held by University Village-Greensboro LLC in order to receive a 25% ownership stake in the venture with College Park Apartments. The construction debt is expected to be refinanced in September of 2008 after construction is complete and the student housing community is occupied. The Operating Partnership will not guarantee the debt after the construction loan is refinanced.

The Trust also has various operating lease commitments for corporate office space, furniture and office and technology equipment.

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

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

8. Acquisition of real estate investments

During 2005, the Operating Partnership acquired the entities comprising the EDR Predecessor (including student housing properties) and the 14 student housing properties comprising the JPI Portfolio in connection with the Formation Transactions discussed in Note 2. The Operating Partnership also acquired five additional student housing properties during fiscal 2005 (the 2005 acquisitions) for an aggregate purchase price of $119.7 million, including the assumption of mortgage debt with a contract value of $48.7 million.

On January 1, 2006, the Operating Partnership acquired the 13 student housing properties referred to as the Place Portfolio for a combination of cash, partnership units and assumed debt. The cash contribution totaled approximately $105.1 million. The Operating Partnership also issued 36,954 Operating Partnership units valued at approximately $0.5 million, and assumed liabilities of $0.8 million and interest-only mortgage debt of approximately $98.7 million. A summary follows of the estimated fair values of the assets acquired and the liabilities assumed as of the date of the acquisition:

	Preliminary allocation Place Portfolio
Current assets and restricted cash	$ 2,376
Student housing properties	202,200
Other	570
Total assets acquired	205,146
Current liabilities	(855)
Mortgage debt assumed net of premium/discount	(98,660)
Acquisition costs	(7,419)
Purchase price	$ 98,212

On June 15, 2006, the Operating Partnership acquired Players Club, an off-campus collegiate community located near Georgia Southern University in Statesboro, Georgia (Statesboro), for $12.9 million in cash and assumed certain liabilities. The Operating Partnership used the revolving credit facility to fund the purchase. A summary follows of the estimated fair values of the assets acquired and the liabilities assumed as of the date of the acquisition:

	Preliminary allocation Statesboro
Current assets and restricted cash	$ 77
Student housing properties	12,702
Other	159
Total assets acquired	12,938
Current liabilities	(115)

Mortgage debt assumed net of premium/discount		
Acquisition costs		(64)
Purchase price	$	12,759

The purchase price allocations related to the Place Portfolio and Statesboro acquisitions are considered preliminary and changes are expected as additional information becomes available. Management expects to continue its process of refining and finalizing our purchase accounting estimates and assumptions during 2006 and as a result these preliminary purchase price allocations are subject to change.

The results of operations for each acquisition have been included in the accompanying consolidated statements of operations from the respective acquisition dates. The following pro forma financial information for the six months ending June 30, 2006 gives effect to the Statesboro acquisition as if it occurred on January 1, 2006 and for the six months ending June 30, 2005 gives effect to the Statesboro acquisition, the Place Portfolio acquisition, the Formation Transactions, the 2005 acquisitions and the Private Placement as if the transactions had occurred on January 1, 2005:

Table of Contents

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Pro forma revenue	$ 60,097	$ 57,141
Pro forma net loss	$ (2,871)	$ (11,045)
Loss per share	$ (.11)	$ (.42)

All pro forma financial information presented in this note is unaudited and is not necessarily indicative of the results that actually would have occurred if the properties were purchased at the beginning of the respective reporting period.

9. Incentive plan

The Trust adopted the Education Realty Trust, Inc. 2004 Incentive Plan (the Plan) effective upon the closing of the Offering. The Plan provides for the grant of stock options, restricted stock units, stock appreciation rights, other stock-based incentive awards, and profits interest units to employees, directors and other key persons providing services to the Company. The Trust has reserved 800,000 shares of its common stock for issuance pursuant to the Plan, subject to adjustments for changes in the Trust s capital structure, including share splits, dividends and recapitalizations. The number of shares reserved under the Plan is also subject to an annual adjustment, beginning on January 1, 2006, so that the total number of shares reserved under the Plan is equal to 4% of the aggregate number of shares outstanding on the last day of the preceding fiscal year; provided that such annual increase generally may not exceed 80,000 shares.

Effective January 1, 2006, the Trust adopted the provisions of SFAS No. 123 (R) using the modified prospective transition method. This pronouncement requires that compensation costs related to share-based payments be recognized in financial statements. Prior to January 1, 2006, the Trust applied the provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. Total compensation cost recognized in general and administrative expense in the accompanying statements of operations for the six months ended June 30, 2006 and 2005 was $0.5 million and $4.4 million, respectively. The adoption of SFAS No. 123 (R) had no impact on the accompanying financial statements other than the reclassification of unearned compensation of $2,470 to additional paid-in capital for the prior period presented.

Since the completion of the Offering, the Trust has issued 180,000 shares of restricted stock under the Plan, to certain of its executive officers, which will vest ratably over five years. The Trust also issued 6,000 shares of restricted stock to its independent directors, which were all fully vested at December 31, 2005 and issued 4,000 shares during the three months ended June 30, 2006 to officers that vested immediately. A restricted stock award is an award of the Trust s common stock that is subject to restrictions on transferability and other restrictions as the Trust s compensation committee determines in its sole discretion on the date of grant. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as our compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted shares will have all of the rights of a stockholder as to those shares, including, without limitation, the right to vote and the right to receive dividends or distributions on the shares. Restricted stock is generally taxed at the time of vesting. The value is determined based on the market value of the Trust s common stock on the grant date. At June 30, 2006, unearned compensation totaled $2.2 million and will be recorded as expense over the applicable vesting period. During the six months ended June 30, 2006 and 2005, compensation expense of $.4 million and $.3 million, respectively, was recognized in the accompanying consolidated statement of operations, related to the vesting of restricted stock.

Additionally, the Trust granted 245,000 profits interest units in 2005 simultaneous with and subsequent to the completion of the Offering that vested immediately and resulted in a compensation charge (reflected in general and administrative expense) of $4.1 million in the accompanying consolidated statements of operations for the six months ended June 30, 2005. During the six months ended June 30, 2006, an additional 12,500 profits interest units were issued and vested immediately resulting in a compensation charge (reflected in general and administrative expense) of $.2 million in the accompanying consolidated statement of operations for the six months ended June 30, 2006. Profits interest units, or PIUs, are units in a limited liability company controlled by the Trust that holds a special class of partnership interests in the Operating Partnership. Each PIU will be deemed equivalent to an award of one share of the Trust s common stock and will entitle the owner of such unit to receive the same quarterly per unit distributions as one common unit of the Operating Partnership. This treatment with respect to quarterly distributions is similar to the expected treatment of restricted stock awards, which will generally receive full dividends whether vested or not. PIUs will not initially have full parity with common units of the Operating Partnership with respect to liquidating distributions. Upon the occurrence of specified capital equalization events, PIUs may, over time, achieve full or partial parity with common units of the Operating Partnership for all purposes, and could accrete to an economic value equivalent to the Trust s common stock on a one-for-one basis. If such parity is reached, vested PIUs may be exchanged into an equal number of the Trust s shares of common stock at any time. However, there are circumstances under which full parity would not be reached. Until such parity is reached, the value that may be realized for vested PIUs will be less than the value of an equal number of shares of the Trust s common stock, if there is any value at all. The grant or vesting of PIUs is not expected to be a taxable transaction to recipients. Conversely, we will not receive any tax deduction for compensation expense from the grant of PIUs. PIUs are treated as minority interests in the accompanying consolidated financial statements at an amount equal to the holders ownership percentage of the net equity of the Operating Partnership.

Table of Contents

A summary of incentive plan activity for the six months ended June 30, 2006 is as follows:

	PIU s	Restricted Stock	Total
Outstanding at December 31, 2005	245,000	186,000	431,000
Granted	12,500		12,500
Outstanding at March 31, 2006	257,500	186,000	443,500
Granted		4,000	4,000
Redeemed	(2,500)		(2,500)
Outstanding at June 30, 2006	255,000	190,000	445,000
Vested at June 30, 2006	255,000	60,883	315,883

10. Subsequent events

On July 11, 2006 our board of directors declared a second quarter distribution of $0.2975 per share of common stock for the quarter ending on June 30, 2006. The distribution is payable on August 9, 2006 to stockholders of record at the close of business on July 25, 2006.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report. Certain statements contained in this filing are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements related to plans for future acquisitions, our business and investment strategy, market trends and projected capital expenditures. When used in this report, the words expect, anticipate, intend, plan, believe, seek, estimate, would, could, should, and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly Report. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see the Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2005. Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

We were formed to continue and expand upon the student housing business of Allen & O Hara, Inc. and its affiliates (the Predecessor), which commenced in 1964. We commenced operations upon the completion of our initial public offering (the Offering) and formation transactions (the Formation Transactions), which occurred on January 31, 2005 (the Closing Date). Substantially all of our assets are held by, and we conduct substantially all of our activities through, Education Realty Operating Partnership, LP (our Operating Partnership), Allen & O Hara Education Services, Inc. (our Management Company) and Allen & O Hara Development Company, LLC (our Development Company), each of which are direct or indirect subsidiaries of us.

The historical operations prior to the Closing Date that are described in this report refer to the operations of the Predecessor. We have described our operations in this report as if the historical operations of the Predecessor were conducted by us. As a result, and due to substantial growth through acquisition and other IPO related activities, our results of operations for the three and six months ended June 30, 2006 are not comparable to our results of operations for the three and six months ended June 30, 2005. Where appropriate, the following discussion includes an analysis of the completion of the Offering and certain matters that have occurred following the completion of the Offering.

Overview

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

We earn income from rental payments we receive as a result of our ownership of student housing properties. We also earn income by performing property management services and development consulting services for third parties through our Management Company and Development Company, respectively. While we manage 70% of the properties we own, we will not recognize any fee income from their management on a consolidated basis. We have elected to be taxed as a REIT for federal income tax purposes.

Our Business Segments

We define business segments by their distinct customer base and service provided. Management has identified three reportable segments: student housing leasing, third-party development consulting services and third-party management services. We evaluate each segment s performance based on net operating income, which is defined as income before depreciation, amortization, interest expense and equity in earnings of unconsolidated entities. The accounting policies of the reportable segments are described in more detail in the summary of significant accounting policies in the notes to the financial statements appearing elsewhere in this Quarterly Report. Inter-company fees are reflected at the contractually stipulated amounts.

Student Housing Leasing

Student housing leasing revenue represented approximately 94.9% of our revenue, excluding operating expense reimbursements, for the six months ended June 30, 2006. Our revenue related to food service operations at two locations is included in this segment. Additionally we include other leasing revenue related to the Place Portfolio lease in this segment.

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

Due to our predominantly furnished private bedroom accommodations, the high level of student-oriented amenities offered at our communities and the individual lease liability, we believe our properties can typically command higher per-unit and per-square foot rental rates than most multi-family properties in the same geographic markets. We are also typically able to command higher rental rates than on-campus student housing, which tend to offer properties with fewer amenities.

Substantially all of our leases commence mid-August and terminate the last day of July. These dates coincide with the commencement of the universities fall academic term and typically terminate at the completion of the subsequent summer school session. As such, we are required to re-lease each property in its entirety each year, resulting in significant turnover in our tenant population from year to year. In 2004 and 2005 approximately 64.7% and 69.9%, respectively, of our beds were leased to students who were first-time residents at our properties. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in February and ends in August of each year. Our properties occupancy rates are therefore relatively stable with a slight decline during the August to July lease year but are susceptible to fluctuation at the commencement of each new academic year.

During the first two weeks of August, prior to the commencement of each new lease period, we prepare the units for the new incoming tenants. We do not generally recognize lease revenue during this period, as we have no leases in place. In addition, during this turnover period we incur significant expenses, which we immediately recognize, making our units ready for occupancy during the month of August. Consequently, our August lease turnover results in seasonality in our operating results during the third quarter of each year.

Third-Party Management Services

Revenue from our third-party management services, excluding operating expense reimbursements, represented approximately 2.5% of our revenue for the six months ended June 30, 2006. These revenues are typically derived from multi-year management agreements, under which management fees are typically 3-5% of leasing revenue. These agreements typically have an initial term of five to ten years with a renewal option for an additional five years. As part of the management agreements, there are certain payroll and related expenses we pay on behalf of the third-party property owners. These costs are included in reimbursable operating expenses and are required to be reimbursed to us by the third-party property owners. We recognize the expense and revenue related to these reimbursements when incurred. These operating expenses are wholly reimbursable and therefore not considered by our management when analyzing the operating performance of our third-party management services business.

Third-Party Development Consulting Services

Revenue from our third-party development consulting services, excluding operating expense reimbursements, represented 2.6% of our revenue for the six months ended June 30, 2006. Fees for these services are typically 3-5% of the total project cost and are payable over the life of the project, which is typically one to two years in length. At times we will pay pre-development expenses such as architectural fees and permits if such are required prior to the project s financing being in place. We typically obtain a guarantee from the owner for repayment of these project costs. We typically incur costs that are reimbursable by the project. We recognize these costs as expense when incurred, while the reimbursement revenue is not recognized until the consulting contract is awarded or reimbursements are otherwise guaranteed by the customer. These operating expenses are wholly reimbursable and therefore not considered by our management when analyzing the operating performance of our third-party development consulting services business.

Table of Contents

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

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

Trends and Outlook

Rents and Occupancy

We expect the general trends of increased university enrollment and limited availability of on-campus housing to continue for the foreseeable future, providing us with continued opportunities to maximize revenues through increased occupancy and/or rental rates in our owned portfolio. We manage our properties to maximize revenues, which are primarily determined by two components: rental rates and occupancy rates. We customarily adjust rental rates in order to maximize revenues, which in some cases results in a lower occupancy rate, but in most cases results in stable or increasing revenues from the property. As a result, a decrease in occupancy rates may be offset by an increase in rental rates and may not be material to our operations. For the six months ended June 30, 2006 we experienced a 2.7% increase in the average revenue per available bed (RevPAB) over the same period in 2005 as a result of both occupancy and rate improvements.

Integration Costs Related to the Acquisition of Additional Properties

Our acquisition of 14 properties previously owned by JPI Investment Company, L.P. and its affiliates (JPI) on the Closing Date and our acquisition of an additional five properties since the Closing Date, two of which were acquired during the first quarter ending March 31, 2005, two were acquired in the second quarter ended June 30, 2005, and one was acquired in July 2005 have resulted in over 70% of our portfolio being new to the company and our management style in 2005. Additionally, we added a property in June of 2006. Although the company assumed management of the acquired properties ahead of schedule, additional costs, including operating inefficiencies, were experienced through the end of 2005 while fully assimilating the properties into our operating style. The growth in our portfolio has also required us to add additional regional management and corresponding support staff in our corporate office.

General and Administrative Costs

As a result of becoming a public company in January 2005, we experienced significant increases in legal and accounting costs, director fees, costs related to communicating with stockholders, including ongoing communications and distribution of proxy statements in connection with stockholder meetings, and other costs that are unique to being a public company. We expect additional increases in 2006 as a result of costs associated with formulating and documenting our internal control systems and implementation of the Sarbanes Oxley Act of 2002. For the six months ended June 30, 2006 these costs totaled approximately $425,000.

Critical Accounting Policies

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

Student Housing Leasing Revenue Recognition

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

Students are required to execute lease contracts with payment schedules that vary from single to monthly payments. Generally, a

Table of Contents

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

Student housing food service revenue

The Trust provides food service to an unaffiliated secondary boarding school through a contract covering a nine-month period. The contract requires a flat weekly fee and the related revenues are recognized on a straight-line basis over the contract period. Additionally, the Trust maintains a dining facility at University Towers, which offers meal plans to the tenants as well as dining to other third party customers. The meal plans typically require upfront payment by the tenant covering the school semester and the related revenue is recognized on a straight-line basis over the corresponding semester.

Other leasing revenue

Other leasing revenue relates to our leasing of 13 properties we acquired from Place Properties (Place). Simultaneous with the acquisition of the 13 properties, the Trust leased the assets to Place and receives base monthly rent of $1,145 and has the right to receive Additional Rent annually if the properties exceed certain criteria defined in the lease agreement. Base rent is recognized on a straight line basis over the lease term and Additional Rent is recognized only upon satisfaction of the defined criteria.

Revenue and Cost Recognition of Third-Party Development Consulting Services

Costs associated with the pursuit of third-party development consulting contracts are expensed as incurred until we have been notified of a contract award or reimbursement is 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. Costs associated with development consulting services are expensed as incurred. We generally receive a significant percentage of our fees for development consulting services upon closing of the project financing, a portion of the fee over the construction period, and the balance upon substantial completion of construction. Because revenue from these services is recognized for financial reporting purposes utilizing the percentage of completion method, differences occur between amounts received and revenues recognized. Differences also occur between amounts recognized for tax purposes and those recognized from financial reporting purposes. Because, as a REIT, we will be required to distribute 90% of our taxable income, our distribution requirement with respect to our income from third-party services may exceed that reflected as net income for financial reporting purposes from such activities.

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

Student Housing Property Acquisitions

Land, land improvements, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Buildings and improvements are depreciated over 30 to 40 years, land improvements are depreciated over 15 years and furniture, fixtures and equipment are depreciated over estimated lives ranging from three to seven years. Depreciation is computed using the straight-line method for financial reporting purposes. Property acquisitions initiated subsequent to June 30, 2001 are accounted for utilizing the purchase method in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations.* Pre-acquisition costs, including legal and professional fees and other third-party costs related directly to the acquisition of the property, are accounted for as part of the purchase price. We have used independent appraisals obtained at the time of the original acquisition by the owners of the properties we are acquiring in our formation transactions, estimates of cash flows and valuation techniques to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, equipment and other identifiable intangibles such as amounts related to in-place leases.

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.

Long Lived Assets Impairment

Periodically, management is required to assess whether there are any indicators that our real estate properties may be impaired. A property s value is considered impaired if management s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. These estimates of cash flows are based on factors

Table of Contents

such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property, thereby reducing our net income.

Results of Operations for the Six Months Ended June 30, 2006 and 2005

The following table presents the results of operations for Education Realty Trust, Inc. for the six months ended June 30, 2006 and the combined results of operations for Education Realty Trust, Inc. (post Offering) and the EDR Predecessor (pre Offering) for the six months ended June 30, 2005 (in thousands):

	Six Months Ended June 30, 2006					Six Months Ended June 30, 2005(1)				
	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total	Student Housing Leasing	Third-Party Development Consulting Services	Third-Party Management Services	Adjustments	Total
Revenues:										
Student housing leasing revenue	$43,901	$	$	$	$43,901	$32,687	$	$	$	$32,687
Student housing food service revenue	1,775				1,775	1,710				1, 710
Other leasing revenue	6,868				6,868					
Third-party development consulting services		1,427			1,427		182			182
Third-party management revenue			1,398		1,398			747		747
Intersegment revenues			1,783	(1,783)				1,053	(1,053)	
Operating expense reimbursements				3,745	3,745				2,735	2,735
Total revenues	52,544	1,427	3,181	1,962	59,114	34,397	182	1,800	1,682	38,061
Operating Expenses:										
Student housing leasing operations	18,737				18,737	13,736				13,736
Student housing food service operations	1,583				1,583	1,571				1,571
General and administrative		985	2,271		3,256		720	1,482		2,202
	1,783			(1,783)		1,053			(1,053)	

Intersegment expenses										
Reimbursable operating expenses				3,745	3,745				2,735	2,735
Total operating expenses	22,103	985	2,271	1,962	27,321	16,360	720	1,482	1,682	20,244
Net operating income (loss)	30,441	442	910		31,793	18,037	(538)	318		17,817
Nonoperating expenses(2)	32,172				32,172	23,673				23,673
Income (loss) before equity in earnings of unconsolidated entities, income taxes and minority interest	(1,731)	442	910		(379)	(5,636)	(538)	318		(5,856)
Equity in earnings of unconsolidated entities		425			425		255			225
Income (loss) before taxes and minority interest(3)	$ (1,731)	$ 867	$ 910	$	$ 46	$ (5,636)	$ (283)	$ 318	$	$ (5,601)

Table of Contents

(1) The segment information presented for the six months ended June 30, 2005 represents the combined results of operations for Education Realty Trust, Inc. (post Offering) and EDR Predecessor (pre Offering).

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

(3) The following is a reconciliation of the reportable segments net income (loss) before income taxes and minority interest to the Trust s consolidated net income (loss) before income taxes and minority

interest:

	2006	2005
Net income (loss) before taxes and minority interest for reportable segments	$ 46	$ (5,601)
Unallocated corporate amounts:		
Noncash compensation charge for PIU s and restricted stock	(528)	(4,375)
Other corporate expenses	(2,795)	(1,336)
Net loss before income taxes and minority interest	$ (3,277)	$ (11,312)

Student housing leasing

Overall community statistics for the six months ended June 30, 2006 and 2005 were as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005	Difference
Occupancy			
Physical (1)	92.2%	90.4%	1.8%
Economic (2)	93.4%	91.6%	1.8%
NarPAB (3)	$ 350	$ 346	$ 4
Other income per avail. bed (4)	$ 24	$ 18	$ 6
RevPAB (5)	$ 374	$ 364	$ 10
Operating expense per bed (6)	$ 160	$ 152	$ 8
Operating margin	57.2%	58.4%	(1.2)%
Design Beds (7)	117,630	90,349	27,281

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

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

(3)

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. Does not include food service revenue or other leasing revenue.

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

(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 divided by the sum of the design beds for each of the included months.

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

Revenue from student housing leasing was $52,544 for the six months ended June 30, 2006. This represents an increase of $18,147 from the same period in 2005. The 52.8% increase in revenue is attributable to a significant increase in beds by way of acquisition, an increase in revenue per available bed (R