Education Realty Trust, Inc.
Form 10-Q
May 11, 2009

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

(Mark One)

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

For the quarterly period ended March 31, 2009
Or

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

For the transition period from to

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

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

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

As of May 8, 2009, the latest practicable date, the Registrant had outstanding 28,518,966 shares of common stock, $.01 par value per share.

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Part I — Financial Information

Item 1. Financial Statements.

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

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Assets:		
Student housing properties, net	$ 727,005	$ 731,400
Student housing properties – held for sale	2,082	2,107
Assets under development	15,910	6,572
Corporate office furniture, net	1,342	1,465
Cash and cash equivalents	8,889	9,003
Restricted cash	5,342	5,595
Student contracts receivable, net	413	533
Receivable from affiliate	25	25
Management fee receivable from third party	407	401
Goodwill and other intangibles, net	3,099	3,111
Other assets	13,019	17,435
Total assets	$ 777,533	$ 777,647
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage and construction loans, net of unamortized premium/discount	$ 444,787	$ 442,259
Revolving line of credit	32,900	32,900
Accounts payable and accrued expenses	11,535	10,605
Deferred revenue	8,626	9,954
Total liabilities	497,848	495,718
Commitments and contingencies (see Note 6)	—	—
Redeemable noncontrolling interests	11,836	11,751
Equity:		
Education Realty Trust, Inc. stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized, 28,488,855 and 28,475,855 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	285	285
Preferred shares, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	305,599	308,356
Accumulated deficit	(40,948)	(41,381)
Total Education Realty Trust, Inc. stockholders' equity	264,936	267,260
Noncontrolling interest	2,913	2,918
Total equity	267,849	270,178

Total liabilities and equity	$	777,533	$	777,647

See accompanying notes to the condensed consolidated financial statements.

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenues:		
Student housing leasing revenue	$ 28,720	$ 26,231
Student housing food service revenue	593	655
Other leasing revenue	—	1,945
Third-party development services	1,457	1,787
Third-party management services	909	975
Operating expense reimbursements	2,190	2,619
Total revenues	33,869	34,212
Operating expenses:		
Student housing leasing operations	12,598	11,995
Student housing food service operations	572	633
General and administrative	3,994	3,937
Depreciation and amortization	7,164	7,569
Reimbursable operating expenses	2,190	2,619
Total operating expenses	26,518	26,753
Operating income	7,351	7,459
Nonoperating expenses:		
Interest expense	6,352	6,164
Amortization of deferred financing costs	301	243
Interest income	(49)	(118)
Total nonoperating expenses	6,604	6,289
Income before equity in earnings (losses) of unconsolidated entities, income taxes, redeemable noncontrolling interests and discontinued operations	747	1,170
Equity in earnings (losses) of unconsolidated entities	100	(1)
Income before income taxes, redeemable noncontrolling interests and discontinued operations	847	1,169
Income tax expense	188	191
Income from continuing operations before redeemable noncontrolling interests	659	978
Income attributable to redeemable noncontrolling interests	201	84
Income from continuing operations	458	894
Income (loss) from discontinued operations	(16)	8
Net income	442	902
Less: Net income attributable to the noncontrolling interest	9	13
Net income attributable to Education Realty Trust, Inc.	$ 433	$ 889

	Three months ended March 31, 2009	Three months ended March 31, 2008
Earnings per share information:		
Income attributable to Education Realty Trust, Inc. common stockholders per share — basic:		
Continuing operations	$ 0.02	$ 0.03
Discontinued operations	—	—
Net income attributable to Education Realty Trust, Inc. common stockholders per share	$ 0.02	$ 0.03
Income attributable to Education Realty Trust, Inc. common stockholders per share — diluted:		
Continuing operations	$ 0.02	$ 0.03
Discontinued operations	—	—
Net income attributable to Education Realty Trust, Inc. common stockholders per share	$ 0.02	$ 0.03
Weighted average common shares outstanding – basic	28,516,522	28,508,788
Weighted average common shares outstanding – diluted	29,637,517	29,678,393
Amounts attributable to Education Realty Trust, Inc. – common stockholders:		
Income from continuing operations, net of tax	$ 449	$ 881
Income (loss) from discontinued operations, net of tax	(16)	8
Net income	433	889
Distributions per common share	$ 0.1025	$ 0.2050

See accompanying notes to the condensed consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount				
Balance, December 31, 2007	28,431,855	$ 284	$ 330,969	$ (33,434)	$ 3,242	$ 301,061
Common stock issued to officers and directors	8,000	—	101	—	—	101
Amortization of restricted stock	36,000	1	604	—	—	605
Cash dividends	—	—	(23,379)	—	(260)	(23,639)
PIU's forfeited	—	—	61	—	(61)	—
PIU's issued	—	—	—	—	49	49
Net loss	—	—	—	(7,947)	(52)	(7,999)
Balance, December 31, 2008	28,475,855	285	308,356	(41,381)	2,918	270,178
Common stock issued to officers	4,000	—	15	—	—	15
Amortization of restricted stock	9,000	—	151	—	—	151
PIU's issued	—	—	—	—	13	13
Cash dividends	—	—	(2,923)	—	(27)	(2,950)
Net income	—	—	—	433	9	442
Balance, March 31, 2009	28,488,855	$ 285	$ 305,599	$ (40,948)	$ 2,913	$ 267,849

See accompanying notes to the condensed consolidated financial statements.

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

	Three months ended March 31, 2009	Three months ended March 31, 2008
Operating activities:		
Net income	$ 442	$ 902
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,164	7,569
Depreciation included in discontinued operations	25	24
Deferred taxes	(38)	(144)
(Gain)/loss on disposal of assets	(71)	513
Amortization of deferred financing costs	301	243
Gain on interest rate cap	(8)	—
Amortization of unamortized debt premiums/discounts	(101)	(159)
Distributions of earnings from unconsolidated entities	85	58
Noncash compensation expense related to PIUs and restricted stock	192	213
Equity in (earnings) losses of unconsolidated entities	(100)	1
Redeemable noncontrolling interest	201	84
Change in operating assets and liabilities	4,317	(510)
Net cash provided by operating activities	12,409	8,794
Investing activities:		
Purchase of corporate furniture and fixtures	(23)	(27)
Restricted cash	253	787
Investment in student housing properties	(2,614)	(1,322)
Proceeds from sale of assets	—	2,578
Insurance proceeds received from property damage	75	—
Investment in assets under development	(9,338)	(4,857)
Investment in unconsolidated entities	(171)	(76)
Net cash used in investing activities	(11,818)	(2,917)
Financing activities:		
Payment of mortgage notes	(639)	(23,945)
Borrowings under mortgage notes and construction loans	3,268	—
Borrowing under line of credit, net	—	23,300
Debt issuance costs	(268)	(67)
Dividends and distributions paid to common and restricted stockholders	(2,923)	(5,843)
Dividends and distributions paid to noncontrolling interests	(143)	(300)
Net cash used in financing activities	(705)	(6,855)
Net decrease in cash and cash equivalents	(114)	(978)
Cash and cash equivalents, beginning of period	9,003	4,034
Cash and cash equivalents, end of period	$ 8,889	$ 3,056

See accompanying notes to the condensed consolidated financial statements.

	Three months ended March 31, 2009	Three months ended March 31, 2008
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,685	$ 6,344
Income taxes paid	$ 126	$ —
Supplemental disclosure of noncash activities:		
Redemption of minority interest from unit holder	$ —	$ 893

See accompanying notes to the condensed consolidated financial statements.

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

1. Organization and description of business

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

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

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

- Allen & O’Hara Education Services, Inc. (“AOES”), a Delaware corporation performing student housing management activities.

- Allen & O’Hara Development Company, LLC (“AODC”), a Delaware limited liability company providing development consulting services for third party student housing properties.

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

2. Summary of significant accounting policies

Basis of presentation and principles of consolidation

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

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

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

Interim financial information

The accompanying unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, that in the opinion of management are necessary for a fair presentation of the Trust's financial position, results of operations and cash flows for such periods. Because of the seasonal nature of the business, the operating results and cash flows are not necessarily indicative of results that may be expected for any other interim periods or for the full fiscal year. These financial statements should be read in conjunction with the Trust's consolidated financial statements and related notes, included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission (the "SEC").

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used by management in determining the recognition of third-party development consulting services revenue under the percentage of completion method, useful lives of student housing assets, the valuation of goodwill, the initial valuations and underlying allocations of purchase price in connection with student property acquisitions, the determination of fair value for impairment assessments, and in the recording of the allowance for doubtful accounts. Actual results could differ significantly 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 condensed consolidated statements of cash flows. The Trust maintains cash balances in various banks. At times, the amounts of cash held in certain bank accounts may exceed the amount that the Federal Deposit Insurance Corporation (FDIC) insures. At March 31, 2009, the Trust had no cash on deposit that was uninsured by the FDIC or in excess of FDIC limits.

Restricted cash

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

Distributions

The Trust currently pays regular quarterly cash distributions to stockholders. These distributions are determined quarterly by the Board of Directors based on the operating results, economic conditions, capital expenditure needs, 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 of Directors deems relevant.

Student housing properties

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

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 acquired student housing properties’ results of operations are included in the Trust’s 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. Appraisals, estimates of cash flows and valuation techniques are used to allocate the purchase price of acquired property between land, land improvements, buildings and improvements, furniture, fixtures and equipment and identifiable intangibles such as amounts related to in-place leases. On January 1, 2009 the Trust adopted SFAS No. 141R, which changes the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R also enhances the disclosures to enable the evaluation of the nature and financial effects of the business combination. The Trust will apply the provisions of SFAS No. 141R to all future acquisitions.

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.

Certain student housing properties may be classified as held for sale based on the criteria within SFAS No. 144. When a student housing property is identified as held for sale, the net realizable value of such asset is estimated. If the net realizable value of the asset is less than the carrying amount of the asset, an impairment charge is recorded for the estimated loss. Depreciation expense is no longer recorded once a student housing property has met the held for sale criteria. Operations of student housing properties that are sold or classified as held for sale are recorded as part of discontinued operations for all periods presented. No impairment loss on student housing properties held for sale was recognized in the accompanying condensed consolidated statement of operations.

Repairs, maintenance and major improvements

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

Investment in unconsolidated joint ventures, limited liability companies and limited partnerships

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

Deferred financing costs

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

Offering costs

Specific incremental costs directly attributable to the issuance of common stock are 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 expense using the effective interest method.

Income taxes

The Trust qualifies as a 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 stockholders. REITs are subject to a number of organizational and operational requirements. If the Trust fails to qualify as a REIT in any taxable year, the Trust will be subject to federal 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 which include management services and development services, which are provided through AODC. The Trust follows SFAS No. 109, Accounting for Income Taxes, which requires the use of the asset and liability method. Deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse.

The Trust also follows Interpretation No. 48, Accounting for Uncertainty in Income Taxes. The Trust had no unrecognized tax benefits as of March 31, 2009 and 2008. As of March 31, 2009, the Trust does not expect to record any unrecognized tax benefits. The Trust, or its subsidiaries, files income tax returns in the U.S. Federal jurisdiction and various states' jurisdictions. As of March 31, 2009, open tax years generally include tax years 2005-2007. The Trust's policy is to include interest and penalties related to unrecognized tax benefits in general and administrative expenses. At March 31, 2009, the Trust had no interest or penalties recorded related to unrecognized tax benefits.

Noncontrolling interests

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). SFAS 160 establishes the accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interests, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements to clearly distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 was adopted by the Trust on January 1, 2009. The Operating Partnership Units, the University Towers Operating Partnership Units and profits interest units ("PIU") (see Note 9) are now referred to as noncontrolling interests (formerly minority interests). In connection with the adoption, the Trust also considered the guidance in FASB EITF Topic D-98, Classification and Measurement of Redeemable Securities. The Operating Partnership Units and the University Towers Operating Partnership Units are redeemable at the option of the holder into an equivalent number of shares of the Trust's common stock, or cash, and essentially have the same characteristics as common stock as they participate in net income and distributions. Accordingly, the Trust determined that the Operating Partnership Units and the University Towers Operating Partnership Units meet the requirements to be classified outside of permanent equity and are therefore classified as redeemable noncontrolling interests in the accompanying condensed consolidated balance sheets. The value of redeemable noncontrolling interests is reported at the greater of fair value or historical cost at the end of each reporting period.

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

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. The Trust adopted FASB Staff Position EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities, on January 1, 2009. Upon adoption all unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are included in the computation of earnings per share under the two-class method. The adoption resulted in shares of unvested restricted stock being included in the computation of basic earnings per share as of March 31, 2009 and 2008. The adoption did not have a material impact on the Trust's consolidated financial statements.

The following reconciles the basic and diluted weighted average share as of March 31, 2009 and 2008:

	2009	2008
Basic weighted average common shares outstanding	28,516,522	28,508,788
Operating Partnership units	913,738	913,738
University Towers Operating Partnership units	207,257	255,867
Diluted weighted average common shares outstanding	29,637,517	29,678,393

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 assets might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The carrying value of goodwill was $3,070 at March 31, 2009 and December 31, 2008. Other intangible assets generally include in-place leases and management contracts acquired in connection with acquisitions and are amortized over the estimated life of the lease/contract term. The carrying value of other intangible assets was $29 and $41 at Match 31, 2009 and December 31, 2008, respectively.

Comprehensive Income

The Trust follows SFAS No. 130, Reporting Comprehensive Income, which established standards for reporting and displaying comprehensive income and its components. For all periods presented, comprehensive income (loss) is equal to net income (loss).

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 construction and operating expense reimbursements for payroll and related expenses incurred for third party student housing properties managed or developed by the Trust.

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

Student housing food service revenue — 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 (“Place Portfolio”) we acquired from Place Properties, Inc. (“Place”) in January 2006. Simultaneous with the acquisition of the Place Portfolio, the Trust leased the assets to Place and received base monthly rent of $1,145 and had the right to receive “Additional Rent” annually if the properties exceeded certain criteria defined in the lease agreement. Base rent was recognized on a straight-line basis over the lease term and Additional Rent was recognized only upon satisfaction of the defined criteria. The lease was terminated on February 1, 2008. In connection with the termination of the lease, Place paid the Operating Partnership a lease termination fee of $6,000 of which $800 was recognized in the first quarter of 2008.

Third-party development services revenue — The Trust provides development consulting services in an agency capacity with third parties whereby the fee is determined based upon the total construction costs. Total fees vary from 3-5% of the total estimated costs, and 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 construction of the respective projects. Occasionally, the development consulting contracts include a provision whereby the Trust can participate in project savings resulting from successful cost management efforts. These revenues are recognized once all contractual terms have been satisfied and no future performance requirements exist. This typically occurs after construction is complete. For the three months ended March 31, 2009 and 2008 there was no revenue recognized related to cost savings.

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

Operating expense reimbursements — The Trust pays certain payroll and related costs to operate third-party student housing properties that are managed by the Trust and certain costs for third-party development services. Under the terms of the related management and development agreements, the third-party 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.

Costs related to third party development consulting services

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

3. Investments in unconsolidated entities

As of March 31, 2009, the Trust had investments, directly or indirectly, in the following active unconsolidated joint ventures, limited liability companies and limited partnerships that are accounted for under the equity method:

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

The following is a summary of financial information for the Trust's unconsolidated joint ventures, limited liability companies and limited partnerships for the three months ended March 31, 2009 and 2008:

	2009	2008
Results of Operations:		
Revenues	$ 4,593	$ 4,359
Net income (loss)	601	(192)
Equity in earnings (losses) of unconsolidated entities	$ 100	$ (1)

These entities primarily own student housing communities which are managed by the Trust. As of March 31, 2009 and December 31, 2008, the Trust's investment in unconsolidated entities totaled $2,945 and $2,759, respectively.

4. Debt

Revolving credit facility

The Operating Partnership has a revolving credit facility (the “Amended Revolver”) dated January 31, 2005 with a maximum availability of $100,000. Availability under the Amended Revolver is limited to a “borrowing base availability” equal to the lesser of (i) 65% of the property asset value (as defined in the amended 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 agreement. As of March 31, 2009, our borrowing base was $47,822, we had $32,900 outstanding and we had letters of credit outstanding of $2,000 (see Note 6); thus, our remaining availability was $12,922. We do, however, have additional unmortgaged properties that can be pledged against the Amended Revolver to increase total availability.

The Trust serves as the guarantor for any funds borrowed by the Operating Partnership under the Amended Revolver. Additionally, the Amended Revolver is secured by a cross-collateralized, first mortgage lien on six otherwise unmortgaged properties. The Amended Revolver had a term of three years and matured on March 30, 2009. However, the Operating Partnership exercised its option to extend the maturity date until March 30, 2010, under existing terms. The interest rate per annum applicable to the Amended Revolver is, at the Operating Partnership’s option, equal to a base rate or London InterBank Offered Rate (“LIBOR”) plus an applicable margin based upon our leverage (3.50% at March 31, 2009).

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

The Trust is prohibited from making distributions 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 95% of funds from operations for the applicable period.

Mortgage and construction debt

At March 31, 2009, the Trust had outstanding mortgage and construction indebtedness of $444,787 (net of unamortized debt premium of $1,102). $14,360 relates to construction debt that is disclosed below and $233,117 pertains to outstanding mortgage debt that is secured by the underlying student housing properties or leaseholds bearing interest at fixed rates ranging from 4.92% to 6.97%. The remaining $197,310 of the outstanding mortgage indebtedness relates to the $222,000 secured credit facility the Trust entered into on December 31, 2008 to prepay the mortgage debt maturing in July of 2009. $49,768 of the outstanding amount under the secured credit facility bears interest at variable rates based on the 30-day LIBOR plus an applicable margin. The remaining outstanding balance of $147,542 bears interest at a weighted average fixed rate of 6.01%.

In order to hedge the interest rate risk associated with the variable rate loans under the secured credit facility, the Operating Partnership purchased an interest rate cap from the Royal Bank of Canada on December 22, 2008 for $120. The notional amount of the cap is $49,874, the cap will terminate on December 31, 2013 and the cap rate is 7.0% per annum. The Operating Partnership has chosen not to designate the cap as a hedge and will recognize all gains or losses associated with this derivative instrument in earnings. At March 31, 2009, the cap had a value of $90 and is classified in other assets in the accompanying condensed consolidated balance sheet.

At March 31, 2009, the Trust had $10,657 and $3,512 outstanding on construction loans of $11,000 and $12,285, respectively, related to the development of phase I and phase II of a wholly-owned student apartment community near Southern Illinois University (see Note 7). The loans bear interest equal to LIBOR plus a 110 and 200 basis point margins, respectively, and are interest only through June 14, 2010. Commencing on June 14, 2010, and annually thereafter, a debt service coverage ratio calculated on a rolling 12 month basis, of not less than 1.25 to 1, must be maintained in order to extend the loans until June 28, 2012, with principal and interest being repaid on a monthly basis. The Trust incurred $81 in deferred financing costs in connection with the construction loans.

At March 31, 2009, the Trust had $191 outstanding on a $14,300 construction loan related to the development of a wholly owned student apartment community at Syracuse University (see Note 7). The loan bears interest equal to LIBOR plus a 110 basis point margin and is interest only through September 29, 2011. Commencing with the quarter ended June 30, 2011, and annually thereafter, a debt service coverage ratio calculated on a rolling 12 month basis, of not less than 1.25 to 1, must be maintained in order to extend the loan until September 29, 2013, with principal and interest being repaid on a monthly basis.

On March 3, 2008, mortgage debt in the amount of $22,977, secured by the student housing community referred to as University Towers, bearing interest at an effective rate of 5.48%, matured and was repaid by the Trust with additional borrowings on the Amended Revolver. On June 27, 2008, the Trust refinanced the debt with a $25,000, interest only, fixed rate mortgage bearing interest at 5.99% through June 30, 2013. After the initial maturity, the Trust has the option to extend the loan for 12 months with principal and interest equal to LIBOR plus a 250 basis point margin per annum being repaid on a monthly basis. The Trust used the proceeds from the refinancing to pay down the Amended Revolver.

The scheduled maturities of outstanding mortgage and construction indebtedness at March 31, 2009 are as follows:

Fiscal Year Ending	
2009 (9 months ending December 31, 2009)	$ 100,992
2010	3,475
2011	3,823
2012	81,599
2013	32,489
Thereafter	221,307
Total	443,685
Unamortized debt premium/discounts	1,102
Outstanding at March 31, 2009, net of unamortized premiums/discounts	$ 444,787

At March 31, 2009, the outstanding mortgage and construction debt had a weighted average interest rate of 5.72% and carried a weighted average term to maturity of 4.54 years.

The Trust has $98,600 of mortgage debt scheduled to mature in December 2009. If capital and equity markets continue to erode significantly and the Trust cannot find replacement financing, the Trust would not have enough existing liquidity to repay the mortgage debt at maturity. If this occurs, the Trust would pursue and expect to obtain an extension from the current lender in order to provide additional time to obtain replacement financing. If the Trust is unable to obtain replacement financing, the nine encumbered properties could be turned over to the lender and as a result the Trust could cross default the Amended Revolver. If this were to occur, management has reviewed its cash flows and has identified plans that could be implemented in an effort to repay the Amended Revolver. These plans could include the elimination of or the payment in kind of our dividends, suspension of capital spend, cost reductions, and, subject to market conditions, possible asset dispositions and/or a potential equity capital event. Additionally, management has assessed the remaining student housing assets that would remain in the portfolio and currently believe they should be able to produce sufficient cash flows to fund operations and service the remaining debt requirements in the near future.

5. Segments

The Trust defines business segments by their distinct customer base and service provided. The Trust has identified three reportable segments: student housing leasing, development-consulting services and management services. Management evaluates each segment's performance based on pretax income and on net operating income, which is defined as income before depreciation, amortization, impairment losses, interest expense, equity in earnings of unconsolidated entities, and noncontrolling interests. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany fees are reflected at the contractually stipulated amounts. Discontinued operations are not included in segment reporting as management addresses these items on a corporate level. The following table represents segment information for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31, 2009					Three Months Ended March 31, 2008				
	Student Housing Leasing	Development Consulting Services	Management Services	Adjustments	Total	Student Housing Leasing	Development Consulting Services	Management Services	Adjustments	Total
Revenues:										
Student housing leasing revenue	$ 28,720	$ —	$ —	$ —	$ 28,720	$ 26,231	$ —	$ —	$ —	$ 26,231
Student housing food service revenue	593	—	—	—	593	655	—	—	—	655
Other leasing revenue	—	—	—	—	—	1,945	—	—	—	1,945
Third-party development consulting services	—	1,457	—	—	1,457	—	1,787	—	—	1,787
Third-party management services	—	—	909	—	909	—	—			