



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

EDR - NYSE (as of 7/28/2017)	\$38.94
Price Target	NA
52-Week Range	\$36.98 - \$48.87
Shares & Units Outstanding (mm)	74
Market Cap. (\$mm)	\$2,882
3-Mo. Average Daily Volume (000)	476
Institutional Ownership	116%
Net Debt/Total Market Capital (6/17)	22%
Est 3-Year Dividend Growth Rate	2% - 5%
Dividend	\$1.56
Dividend Yield	4.0%
Interest Coverage Ratio (TTM)	11.4x

Core FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.54		\$0.60	A \$0.59	\$0.57
2Q	\$0.39		\$0.42	A \$0.44	\$0.40
3Q	\$0.26	\$0.32	\$0.32	\$0.33	\$0.34
4Q	\$0.59	\$0.58	\$0.57	\$0.68	\$0.69
Year	\$1.77	\$1.92	\$1.92	\$2.03	\$2.00
P/Core FFO	22.0x		20.3x		19.5x

Quarterly Core FFO may not add up to full year amount based on the impact of equity offerings, rounding, and accounting changes.

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$73		\$86	A \$100	\$95
2Q	\$65		\$74	A \$92	\$80
3Q	\$66	\$80	\$77	\$95	\$92
4Q	\$84	\$103	\$99	\$124	\$120
Year	\$289	\$344	\$336	\$412	\$388

Quarterly amounts made not add up to full year amounts based on rounding and the impact of some property income being moved to discontinued operations during the year.

Company Description: Education Realty Trust, headquartered in Memphis, Tennessee, is a REIT that owns or manages 81 student housing properties with more than 42,900 beds in 25 states. EDR also develops properties for its own portfolio and third party owners.

REITs

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July 31, 2017

Education Realty Trust

EDR -- NYSE – Neutral -- 3

Second Quarter Results

- **EDR reported second quarter Core FFO per share of \$0.42 versus \$0.39 in the year ago period.** This was a penny above our estimate.
- **Same community occupancy was down year-over-year.** Same community physical opening occupancy was 82.3% versus 83.2% last year. Same community NOI increased 0.4% on a 2.1% increase in revenue and a 4.5% increase in operating expenses.
- **Dividend Increase.** On July 13, EDR announced a 2.6% increase in its quarterly dividend to a rate of \$0.39 per share, up from \$0.38 per share previously. This is the seventh consecutive year EDR has increased its dividend.
- **We are maintaining our 2017 Core FFO per share estimate of \$1.92.** Management maintained 2017 Core FFO per share guidance of \$1.90 to \$2.00.
- **We maintain our Neutral rating on EDR.** We believe the shares are fairly valued at this time.

Note Important Disclosures on Pages 6 - 7.
Note Analyst Certification on Page 6.

Additional Discussion

Student housing leasing revenue for the second quarter was \$70.1 million versus \$61.7 million in the same period last year, a 13.6% increase (please see income statement on page 3). Same community occupancy was 82.3% versus 83.2% last year. Same community NOI increased 0.4% in the quarter on a 2.1% increase in revenue and a 4.5% increase in operating expenses.

Net income available to common shareholders was \$6.1 million compared to \$17.7 million in the prior year's second quarter. EPS were \$0.07 versus \$0.26 in the year ago period. Core FFO were \$31.0 million compared to \$26.4 million. Core FFO were \$0.42 per share versus \$0.39 per share on a 7.7% increase in shares and units outstanding.

When looking at quarterly results for EDR we focus on Core FFO. Core FFO excludes any gains on the extinguishment of debt and the impact of refinancing, and reorganization charges. Core FFO adds back the straight-line impact of ground rent.

Leasing - As of July 25, 2017, the same-community portfolio was 92.7% preleased for the upcoming academic year compared to 93.0% preleased at the same time in 2016. A 2.5% - 3.5% increase in rental rate is projected.

Developments - EDR currently has nineteen company owned projects in the pipeline, sixteen of which are under construction. The company has five third-party development projects in its pipeline, three of which are under construction. Management is seeing a lot of interest from universities to update/grow their housing supply.

Acquisitions & Dispositions - No acquisitions occurred during the quarter. EDR completed the sale of The Reserve on Stinson during the quarter.

Financials - On June 30, net debt-to-total market capitalization was 21.5%. As of June 30, EDR had \$30 million of debt maturities in 2017 and \$345 million maturing in 2018, respectively.

Guidance & Estimates - Management maintained 2017 Core FFO per share guidance of \$1.90 to \$2.00. Our Core FFO per share estimate is \$1.92.

Education Realty Trust
Statement of Operations

(In thousands, except per share data)	2Q17	2Q16	% Change
Revenues:			
Student Housing Leasing Revenue	\$70,071	\$61,690	13.6%
Third-party Development Services	1,156	467	147.5%
Third-party Management Revenue	831	697	19.2%
Operating Expense Reimbursements	1,984	2,286	-13.2%
Total Revenue	74,042	65,140	13.7%
Operating Expenses:			
Student Housing Leasing Operations	30,338	26,166	15.9%
Development and Management Services	2,775	2,728	1.7%
General and Administrative	2,935	2,921	0.5%
Severance, Development Pursuit and Acquisition Costs	403	158	
Depreciation and Amortization	24,520	19,099	28.4%
Ground Leases	2,462	2,296	7.2%
Reimbursable Operating Expenses	1,984	2,286	-13.2%
Other Operating Expense			
Loss on Asset Impairment			
Total Operating Expenses	65,417	55,654	17.5%
Operating Income (Loss)	8,625	9,486	-9.1%
Nonoperating Expenses:			
Interest Expense	3,062	3,635	-15.8%
Amortization of Deferred Financing Costs	358	457	-21.7%
Interest Income	(17)	(200)	
Gain on Insurance Settlement		216	
Loss (Gain) on Extinguishment of Debt			
Total Nonoperating Expenses	3,403	4,108	-17.2%
Income (Loss) Before Equity in Earnings of Unconsolidated Entities, Income Taxes, Redeemable Noncontrolling Interest and Dist. Ops	5,222	5,378	-2.9%
Equity in Earnings (Losses) of Unconsolidated Entities	129	107	
Income (Loss) before Taxes, Redeemable Noncontrolling Interest & Dist. Ops	5,351	5,485	-2.4%
Income Tax Expense (Benefit)	353	89	
Income (Loss) from Continuing Operations Before Redeemable Noncontrolling Interest	4,998	5,396	-7.4%
Income (Loss) From Discontinued Operations			
Gain on Sale of Collegiate Housing Properties	691	12,083	
Net Income (Loss)	5,689	17,479	-67.5%
Less: Net Income Attributable to the Noncontrolling Interest	(371)	(176)	
Net Income (Loss)	\$6,060	\$17,655	-65.7%
Earnings per share information:			
Income Attributable to Education Realty Trust common shareholders	\$0.07	\$0.26	-73.1%
Weighted-average common shares outstanding - diluted	73,841	68,293	8.1%

Consolidated Statements of Funds From Operations	2Q17	2Q16	% Change
Net Income (Loss) Attributable to Education Realty Trust, Inc.	\$6,060	\$17,655	-65.7%
Gain on Sale of Collegiate Housing Assets	(691)	(12,083)	
Gain in Insurance Settlement			
Impairment Losses			
Real Estate Related Depreciation and Amortization	24,050	18,695	28.6%
Equity Portion of Real Estate Depreciation and Amortization on Equity Investees	671	657	2.1%
Equity Portion of Loss on Sale of Student Housing Property on Equity Investees			
Depreciation and Amortization of Discontinued Operations			
Noncontrolling Interests	(224)	(88)	
Funds From Operations	\$29,866	\$24,836	20.3%
FFO on Participating Developments			
Loss on Extinguishment of Debt		216	
Acquisition Costs	2	178	
Change in Fair Value of Contingent Consideration Liability			
Straight-line Adjustment for Ground Leases	1,174	1,187	-1.1%
Reorganization/Severance Costs, net of tax			
Core Funds From Operations	\$31,042	\$26,417	17.5%
FFO per weighted average share/unit	\$0.40	\$0.36	11.1%
Core FFO per weighted average share/unit	\$0.42	\$0.39	7.7%
Weighted average shares & units	73,841	68,293	8.1%

Source: Company report

Education Realty Trust
Consolidated Balance Sheets

(In thousands)

	12/31/2015	12/31/2016	6/30/2017
Assets:			
Student Housing Properties, net	\$1,774,796	\$2,108,706	\$2,179,060
Student Housing Properties - held for sale			
Assets Under Development	117,384	289,942	517,011
Corporate Office Furniture, net			
Cash and Cash Equivalents	33,742	34,475	33,496
Restricted Cash	9,784	7,838	8,073
Student Contracts Receivable, net			
Receivable From Affiliate			
Receivable From Managed Third Parties			
Goodwill and Other Intangibles, net			
Other Assets	66,125	65,224	65,303
Total Assets	\$2,001,831	\$2,506,185	\$2,802,943
Liabilities and Equity			
Mortgage and Construction Loans	204,511	62,520	29,751
Revolving Line of Credit		20,000	345,000
Unsecured Term Loan	186,518	186,738	186,385
Unsecured Senior Notes	247,678	247,938	248,069
Accounts Payable & Accrued Expenses	85,670	127,872	162,819
Accounts Payable Affiliate			
Deferred Revenue	19,024	20,727	12,560
Total Liabilities	\$743,401	\$665,795	\$984,584
Minority Interest			
Commitments and Contingencies			
Redeemable Noncontrolling Interests	13,560	38,949	51,184
Stockholders Equity			
Common Stock	569	731	732
Preferred Shares			
Additional Paid-in Capital	1,263,603	1,802,852	1,767,951
Accumulated Deficit	(21,998)		
Accumulated Other Comprehensive Loss	(5,475)	(3,564)	(2,851)
Total Stockholders' Equity	\$1,236,699	\$1,800,019	\$1,765,832
Noncontrolling Interest	8,171	1,422	1,343
Total Equity	\$1,244,870	\$1,801,441	\$1,767,175
Total Liabilities and Equity	\$2,001,831	\$2,506,185	\$2,802,943

Balance Sheet Ratio Analysis	12/31/2015	12/31/2016	6/30/2017
Total R/E Investments / Total Debt	277.9%	407.7%	269.3%
Debt to Total Equity	51.6%	28.7%	45.8%
Debt as % of Total Assets	31.9%	20.6%	28.9%
Interest Coverage Ratio (TTM)	4.8x	9.0x	11.4
Equity as % of Total Assets	62.2%	71.9%	63.0%

Previous numbers have not been restated.

Source: Company reports

Valuation

It is somewhat difficult to find a peer group for EDR. American Campus Communities is the only other publically traded pure play student housing REIT. The other REITs that we are using for comparison are multi-family REITs.

Residential REITs	Symbol	Price	Current	Yield	Payout Ratio	FFO Per Share			2 -Year Exp.	18/17E	Price/FFO	
		7/28/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Mid-America Apartment Communities	MAA	\$103.71	\$3.48	3.4%	59.2%	\$5.59	\$5.88	\$6.26	6.0%	6.5%	17.6x	16.6x
American Campus Communities	ACC	\$47.82	\$1.76	3.7%	74.9%	\$2.27	\$2.35	\$2.50	5.1%	6.4%	20.3x	19.1x
Apartment Investment & Management	AIV	\$45.26	\$1.44	3.2%	59.0%	\$2.30	\$2.44	\$2.55	5.4%	4.5%	18.5x	17.7x
Camden Property Trust	CPT	\$89.39	\$3.00	3.4%	65.4%	\$4.63	\$4.59	\$4.79	1.7%	4.4%	19.5x	18.7x
Peer Average		\$71.55	\$2.42	3.4%	64.6%	\$3.70	\$3.82	\$4.03	4.6%	5.4%	19.0x	18.0x
S&P 500	.SPX	2,472.10	\$49.17	1.99%	37.6%	\$117.75	\$130.74	\$139.52	9.2%	6.7%	18.9x	17.7x
Education Realty Trust	EDR	\$38.94	\$1.56	4.0%	81.3%	\$1.77	\$1.92	\$2.00	6.5%	4.2%	20.3x	19.5x

No universe defined.

Note: ACC and MAA are rated Underperform and Neutral by Hilliard Lyons respectively; the rest are not rated.

EDR's figures are Core FFO not FFO. ACC's figures are FFOM not FFO.

SPX figures are EPS, not FFO per share.

ACC is the only other pure play student housing REIT in the group.

Source: NAREIT, HL Estimates, and Thomson Eikon.

Based on our 2018 Core FFO per share estimate, EDR is trading above its peer group and at a slight discount to its median 5 year historic forward P/Core FFO multiple. **We rate EDR Neutral at this time.**

Dividend

To maintain REIT status Education Realty Trust is required to distribute at least 90% of its taxable income to its shareholders each year. EDR's quarterly dividend is \$0.39, or \$1.56 per year. The current dividend yield is 4.0%.

Suitability

We assign shares of Education Realty Trust a suitability rating of 3 on our scale of 1 - 4 (1=most conservative, 4=most aggressive). Our rating is based on the company's lack of property type diversification offset by what we believe is a strong balance sheet.

Risks and Considerations

General economic conditions, rising construction cost, weather, inability to receive financing on favorable terms, increased competition, a decline in college enrollment, a change in university housing policy, etc. could have an impact on EDR's Core FFO.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2016 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2016 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

Additional information is available upon request.

Analyst Certification

I, Carol L. Kemple, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid total returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

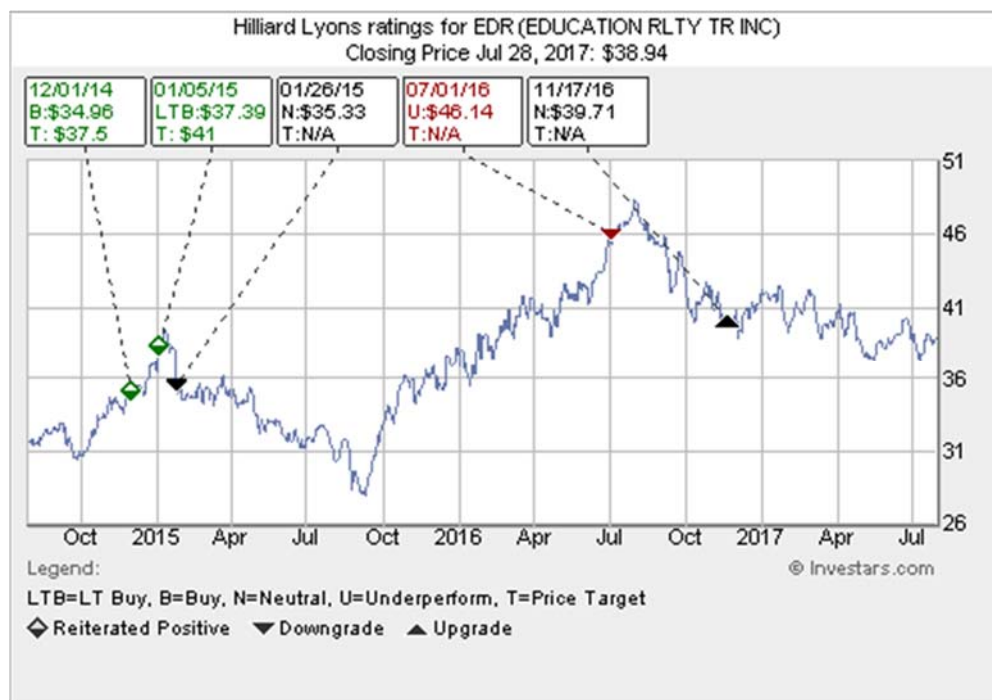
Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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