



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

EDR - NYSE (as of 4/28/2017)	\$38.77
Price Target	NA
52-Week Range	\$38.67 - \$48.87
Shares & Units Outstanding (mm)	74
Market Cap. (\$mm)	\$2,869
3-Mo. Average Daily Volume (000)	NA
Institutional Ownership	99%
Net Debt/Total Market Capital (3/17)	19%
Est 3- Year Dividend Growth Rate	2% - 5%
Dividend	\$1.52
Dividend Yield	3.9%
Interest Coverage Ratio (3/17)	10.6x

Core FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.54		\$0.60	A	\$0.59
2Q	\$0.39	\$0.43	\$0.41		\$0.44
3Q	\$0.26	\$0.34	\$0.32		\$0.33
4Q	\$0.59	\$0.62	\$0.58		\$0.68
Year	\$1.77	\$1.99	\$1.92		\$2.03
P/Core FFO	21.9x		20.2x		19.1x

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
2Q	\$65	\$76	\$75		\$92
3Q	\$66	\$82	\$80		\$95
4Q	\$84	\$106	\$103		\$124
Year	\$289	\$349	\$344		\$412

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 88 student housing properties with more than 45,800 beds in 25 states. EDR also develops properties for its own portfolio and third party owners.

REITs

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May 1, 2017

Education Realty Trust

EDR -- NYSE – Neutral -- 3

First Quarter Results

- **EDR reported first quarter Core FFO per share of \$0.60 versus \$0.54 in the year ago period.** This was above our and the consensus estimate.
- **Same community occupancy was down year-over-year.** Same community physical opening occupancy was 94.5% versus 96.4% last year. Same community NOI decreased 1.2% on a 0.9% increase in revenue and a 5.0% increase in operating expenses.
- **We are lowering our 2017 Core FFO per share estimate by \$0.07 to \$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 5 - 6.
Note Analyst Certification on Page 5.

Additional Discussion

Student housing leasing revenue for the first quarter was \$80.8 million versus \$70.2 million in the same period last year, a 15.1% increase (please see income statement on page 3). Same community occupancy was 94.5% versus 96.4% last year. Same community NOI declined 1.2% in the quarter on a 0.9% increase in revenue and a 5.0% increase in operating expenses.

Net income available to common shareholders was \$16.2 million compared to \$16.7 million in the prior year's first quarter. EPS were \$0.21 versus \$0.26 in the year ago period. Core FFO were \$44.0 million compared to \$33.9 million. Core FFO were \$0.60 per share versus \$0.54 per share on a 17.2% 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 April 24, 2017, the same-community portfolio was 78.1% preleased for the upcoming academic year compared to 76.8% preleased at the same time in 2016. A 2.5% - 3.5% increase in rental rate is projected.

Developments - EDR currently has eighteen company owned projects in the pipeline, seventeen 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 for universities to update/grow their housing supply.

Acquisitions & Dispositions - In January, EDR acquired The Retreat at Corvallis, a 1016 bed community pedestrian to Oregon State. This community is made up of one, two, three, four and five bedroom floor plans in both cottages and traditional apartment configurations. In February, EDR purchased a 305 bed community, 319 Bragg, at Auburn University. EDR has entered into a binding contract to sell the 612 bed, The Reserve on Stinson. This disposition is expected to close in June 2017.

ATM Program - Since the beginning of 2017, EDR has sold almost 0.4 million shares under its at-the-market forward sale program.

Financials - On March 31, net debt-to-total market capitalization was 18.8%. As of March 31, EDR had \$30 million of debt maturities in 2017 and \$260 million maturing in 2018, respectively.

Guidance & Estimates - Management maintained 2017 Core FFO per share guidance of \$1.90 to \$2.00. Same community NOI is projected to grow 2% to 3% with same community revenue growing 2.5% to 3.5% and operating expenses growing 3.0% to 4.0%. Mid-year acquisitions of \$75 million to \$125 million and no disposition activity are included in guidance. Our Core FFO per share estimate is \$1.92.

Education Realty Trust
Statement of Operations

(In thousands, except per share data)	1Q17	1Q16	% Change
Revenues:			
Student Housing Leasing Revenue	\$80,785	\$70,183	15.1%
Third-party Development Services	1,815	483	275.8%
Third-party Management Revenue	945	894	5.7%
Operating Expense Reimbursements	2,253	1,819	23.9%
Total Revenue	85,798	73,379	16.9%
Operating Expenses:			
Student Housing Leasing Operations	28,877	24,889	16.0%
Development and Management Services	2,901	2,521	15.1%
General and Administrative	3,207	2,581	24.3%
Severance, Development Pursuit and Acquisition Costs	220	528	
Depreciation and Amortization	25,839	17,516	47.5%
Ground Leases	3,560	3,309	7.6%
Reimbursable Operating Expenses	2,253	1,819	23.9%
Other Operating Expense	500		#DIV/0!
Loss on Asset Impairment			
Total Operating Expenses	67,357	53,163	26.7%
Operating Income (Loss)	18,441	20,216	-8.8%
Nonoperating Expenses:			
Interest Expense	3,028	4,663	-35.1%
Amortization of Deferred Financing Costs	421	480	-12.3%
Interest Income	(32)	(74)	
Gain on Insurance Settlement	22	9,920	
Loss (Gain) on Extinguishment of Debt			
Total Nonoperating Expenses	3,439	14,989	-77.1%
Income (Loss) Before Equity in Earnings of Unconsolidated Entities, Income Taxes, Redeemable Noncontrolling Interest and Dist. Ops	15,002	5,227	187.0%
Equity in Earnings (Losses) of Unconsolidated Entities	255	(244)	
Income (Loss) before Taxes, Redeemable Noncontrolling Interest & Dist. Ops	15,257	4,983	206.2%
Income Tax Expense (Benefit)	(885)	51	
Income (Loss) from Continuing Operations Before Redeemable Noncontrolling Interest	16,142	4,932	227.3%
Income (Loss) From Discontinued Operations			
Gain on Sale of Collegiate Housing Properties		11,873	
Net Income (Loss)	16,142	16,805	-3.9%
Less: Net Income Attributable to the Noncontrolling Interest	(15)	136	
Net Income (Loss)	\$16,157	\$16,669	-3.1%
Earnings per share information:			
Income Attributable to Education Realty Trust common shareholders	\$0.21	\$0.26	-19.2%
Weighted-average common shares outstanding - diluted	73,775	62,963	17.2%

Consolidated Statements of Funds From Operations	1Q17	1Q16	% Change
Net Income (Loss) Attributable to Education Realty Trust, Inc.	\$16,157	\$16,669	-3.1%
Gain on Sale of Collegiate Housing Assets		(11,873)	
Gain in Insurance Settlement			
Impairment Losses			
Real Estate Related Depreciation and Amortization	25,355	17,113	48.2%
Equity Portion of Real Estate Depreciation and Amortization on Equity Investees	676	666	1.5%
Equity Portion of Loss on Sale of Student Housing Property on Equity Investees			
Depreciation and Amortization of Discontinued Operations			
Noncontrolling Interests	108	206	
Funds From Operations	\$42,296	\$22,781	85.7%
FFO on Participating Developments			
Loss on Extinguishment of Debt	22	9,920	
Acquisition Costs	25	60	
Change in Fair Value of Contingent Consideration Liability	500		
Straight-line Adjustment for Ground Leases	1,175	1,187	-1.0%
Reorganization/Severance Costs, net of tax			
Core Funds From Operations	\$44,018	\$33,948	29.7%
FFO per weighted average share/unit	\$0.57	\$0.36	58.3%
Core FFO per weighted average share/unit	\$0.60	\$0.54	11.1%
Weighted average shares & units	73,775	62,963	17.2%

Source: Company report

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	
		4/28/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Mid-America Apartment Communities	MAA	\$99.21	\$3.48	3.5%	59.4%	\$5.59	\$5.86	\$6.26	6.0%	6.8%	16.9x	15.8x
American Campus Communities	ACC	\$47.39	\$1.68	3.5%	71.2%	\$2.27	\$2.36	\$2.50	5.1%	5.9%	20.1x	19.0x
Apartment Investment & Management	AIV	\$43.74	\$1.44	3.3%	59.0%	\$2.30	\$2.44	\$2.56	5.7%	4.9%	17.9x	17.1x
Camden Property Trust	CPT	\$82.33	\$3.00	3.6%	65.6%	\$4.63	\$4.57	\$4.76	1.4%	4.2%	18.0x	17.3x
Peer Average		\$68.17	\$2.40	3.5%	63.8%	\$3.70	\$3.81	\$4.02	4.5%	5.5%	18.2x	17.3x
S&P 500	SPX	2,384.20	\$48.08	2.02%	36.8%	\$117.75	\$130.61	\$140.06	9.5%	7.2%	18.3x	17.0x
Education Realty Trust	EDR	\$38.77	\$1.52	3.9%	79.2%	\$1.77	\$1.92	\$2.03	7.3%	5.7%	20.2x	19.1x

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: HL Estimates, Baseline, and Thomson One.

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 \$0.38, or \$1.52 per year. The current dividend yield is 3.9%.

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.

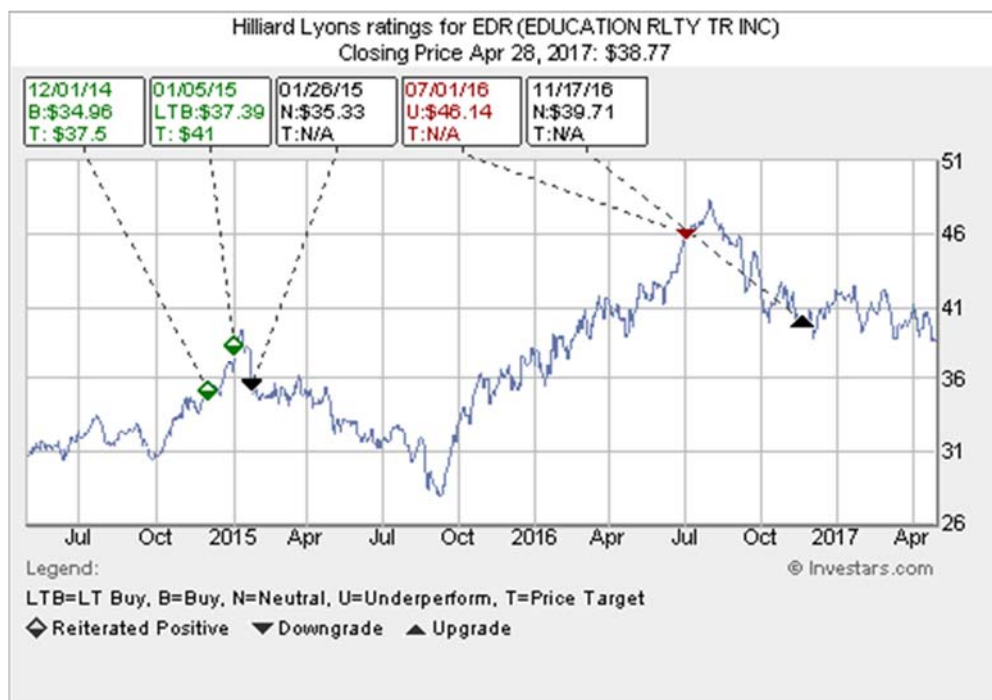
Suitability Ratings

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	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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