



COMPANY UPDATE / ESTIMATE CHANGES

Key Metrics

EDR - NYSE (as of 10/27/2017)	\$35.27
Price Target	NA
52-Week Range	\$35.04 - \$42.85
Shares & Units Outstanding (mm)	76
Market Cap. (\$mm)	\$2,681
3-Mo. Average Daily Volume (000)	545
Institutional Ownership	119%
Net Debt/Total Market Capital (9/17)	22%
Est 3-Year Dividend Growth Rate	2% - 5%
Dividend	\$1.56
Dividend Yield	4.4%
Interest Coverage Ratio (TTM)	11.2x

Core FFO Per Share FY 12/31

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.54		\$0.60	A \$0.57	\$0.55
2Q	\$0.39		\$0.42	A \$0.40	\$0.41
3Q	\$0.26		\$0.29	A \$0.34	\$0.33
4Q	\$0.59	\$0.57	\$0.59	\$0.69	\$0.69
Year	\$1.77	\$1.92	\$1.89	\$2.00	\$1.98
P/Core FFO	19.9x		18.7x		17.8x

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 \$95	\$88
2Q	\$65		\$74	A \$80	\$77
3Q	\$66		\$75	A \$92	\$87
4Q	\$84	\$99	\$100	\$120	\$114
Year	\$289	\$336	\$336	\$388	\$366

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 87 student housing properties with more than 46,200 beds in 26 states. EDR also develops properties for its own portfolio and third party owners.

REITs

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October 30, 2017

Education Realty Trust

EDR -- NYSE – Neutral -- 3

Third Quarter Results

- **EDR reported third quarter Core FFO per share of \$0.29 versus \$0.26 in the year ago period.** This was below ours and the consensus estimate.
- **Same community occupancy was down year-over-year.** Same community physical opening occupancy was 87.8% versus 88.7% last year. Same community NOI increased 2.0% on a 2.6% increase in revenue and a 3.1% increase in operating expenses.
- **We are lowering our 2017 Core FFO per share estimate by three cents to \$1.89.** Management lowered 2017 Core FFO per share guidance to a range of \$1.88 to \$1.92 from its previous range 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 third quarter was \$71.1 million versus \$61.9 million in the same period last year, a 14.9% increase (please see income statement on page 3). Same community occupancy was 87.8% versus 88.7% last year. Same community NOI increased 2.0% in the quarter on a 2.6% increase in revenue and a 3.1% increase in operating expenses.

Net income available to common shareholders was a loss of \$0.2 million compared to a loss of \$3.5 million in the prior year's third quarter. EPS were a loss of \$0.01 versus a loss of \$0.05 in the year ago period. Core FFO were \$21.7 million compared to \$19.4 million. Core FFO were \$0.29 per share versus \$0.26 per share on a 0.6% increase in shares and units outstanding.

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

Developments - EDR completed six owned developments in August. The company currently has fourteen company owned projects in the pipeline, eleven 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.

In August EDR won the right to negotiate terms of a student housing development with the University of South Carolina. The proposed 3,750 bed on campus student housing complex would likely be delivered in multiple phases from 2020 through 2024. EDR will receive fees for providing third-party development and construction oversight services and asset management fees once the project is completed. The development is pending further state approvals.

Acquisitions & Dispositions - No acquisitions or dispositions occurred during the quarter. EDR recently began marketing a seven property portfolio totaling 4,313 beds. We have modeled for this disposition to close in 1Q18.

Financials - On September 30, net debt-to-total market capitalization was 21.9%. As of September 30, EDR had \$30 million of debt maturities in 2017 and \$194 million maturing in 2018, respectively.

Guidance & Estimates - Management lowered 2017 Core FFO per share guidance to a range of \$1.88 to \$1.92 to a range of \$1.90 to \$2.00. Our Core FFO per share estimate is \$1.89, down three cents from our previous estimate.

Education Realty Trust
Statement of Operations

(In thousands, except per share data)	3Q17	3Q16	% Change
Revenues:			
Student Housing Leasing Revenue	\$71,085	\$61,877	14.9%
Third-party Development Services	1,222	778	57.1%
Third-party Management Revenue	858	965	-11.1%
Operating Expense Reimbursements	2,195	2,605	-15.7%
Total Revenue	75,360	66,225	13.8%
Operating Expenses:			
Student Housing Leasing Operations	37,076	32,512	14.0%
Development and Management Services	5,218	2,716	92.1%
General and Administrative	2,582	2,489	3.7%
Severance, Development Pursuit and Acquisition Costs	238	212	
Depreciation and Amortization	22,449	22,336	0.5%
Ground Leases	3,437	3,224	6.6%
Reimbursable Operating Expenses	2,195	2,605	-15.7%
Other Operating Expense	(1,704)	(1,100)	
Loss on Asset Impairment			
Total Operating Expenses	71,491	64,994	10.0%
Operating Income (Loss)	3,869	1,231	214.3%
Nonoperating Expenses:			
Interest Expense	4,284	3,811	12.4%
Amortization of Deferred Financing Costs	406	443	-8.4%
Interest Income	(17)	(155)	
Gain on Insurance Settlement		475	
Loss (Gain) on Extinguishment of Debt			
Total Nonoperating Expenses	4,673	4,574	2.2%
Income (Loss) Before Equity in Earnings of Unconsolidated Entities, Income Taxes, Redeemable Noncontrolling Interest and Dist. Ops	(804)	(3,343)	
Equity in Earnings (Losses) of Unconsolidated Entities	(243)	(480)	
Income (Loss) before Taxes, Redeemable Noncontrolling Interest & Dist. Ops	(1,047)	(3,823)	
Income Tax Expense (Benefit)	(416)	84	
Income (Loss) from Continuing Operations Before Redeemable Noncontrolling Interest	(631)	(3,907)	
Income (Loss) From Discontinued Operations			
Gain on Sale of Collegiate Housing Properties			
Net Income (Loss)	(631)	(3,907)	
Less: Net Income Attributable to the Noncontrolling Interest	(476)	(374)	
Net Income (Loss)	(\$155)	(\$3,533)	
Earnings per share information:			
Income Attributable to Education Realty Trust common shareholders	(\$0.01)	(\$0.05)	
Weighted-average common shares outstanding - diluted	73,687	73,205	0.7%

Consolidated Statements of Funds From Operations	3Q17	3Q16	% Change
Net Income (Loss) Attributable to Education Realty Trust, Inc.	(\$155)	(\$3,533)	
Gain on Sale of Collegiate Housing Assets			
Gain in Insurance Settlement			
Impairment Losses			
Real Estate Related Depreciation and Amortization	21,911	21,616	1.4%
Equity Portion of Real Estate Depreciation and Amortization on Equity Investees	663	700	-5.3%
Equity Portion of Loss on Sale of Student Housing Property on Equity Investees			
Depreciation and Amortization of Discontinued Operations			
Noncontrolling Interests	(227)	(119)	
Funds From Operations	\$22,192	\$18,664	18.9%
FFO on Participating Developments			
Loss on Extinguishment of Debt		475	
Acquisition Costs		175	
Change in Fair Value of Contingent Consideration Liability	(1,704)	(1,100)	
Straight-line Adjustment for Ground Leases	1,177	1,182	-0.4%
Reorganization/Severance Costs, net of tax			
Core Funds From Operations	\$21,665	\$19,396	11.7%
FFO per weighted average share/unit	\$0.30	\$0.25	20.0%
Core FFO per weighted average share/unit	\$0.29	\$0.26	11.5%
Weighted average shares & units	73,894	73,468	0.6%

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	
		10/27/2017	Dividend			2016	2017E	2018E	Avg. Growth	Growth Rate	2017E	2018E
Mid-America Apartment Communities	MAA	\$100.55	\$3.48	3.5%	59.1%	\$5.59	\$5.89	\$6.24	5.8%	5.9%	17.1x	16.1x
American Campus Communities	ACC	\$42.08	\$1.76	4.2%	75.9%	\$2.27	\$2.32	\$2.42	3.3%	4.3%	18.1x	17.4x
Apartment Investment & Management	AIV	\$44.37	\$1.44	3.2%	62.3%	\$2.30	\$2.31	\$2.54	5.2%	10.0%	19.2x	17.5x
Camden Property Trust	CPT	\$91.25	\$3.00	3.3%	68.3%	\$4.63	\$4.39	\$4.81	1.9%	9.6%	20.8x	19.0x
Peer Average		\$69.56	\$2.42	3.5%	66.4%	\$3.70	\$3.73	\$4.00	4.1%	7.4%	18.8x	17.5x
S&P 500	.SPX	2,581.07	\$49.44	1.92%	37.7%	\$117.75	\$131.03	\$141.07	9.9%	7.7%	19.7x	18.3x
Education Realty Trust	EDR	\$35.27	\$1.56	4.4%	82.5%	\$1.77	\$1.89	\$1.98	5.9%	4.8%	18.7x	17.8x

No universe defined.

Note: ACC and MAA are rated 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 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 4.4%.

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.

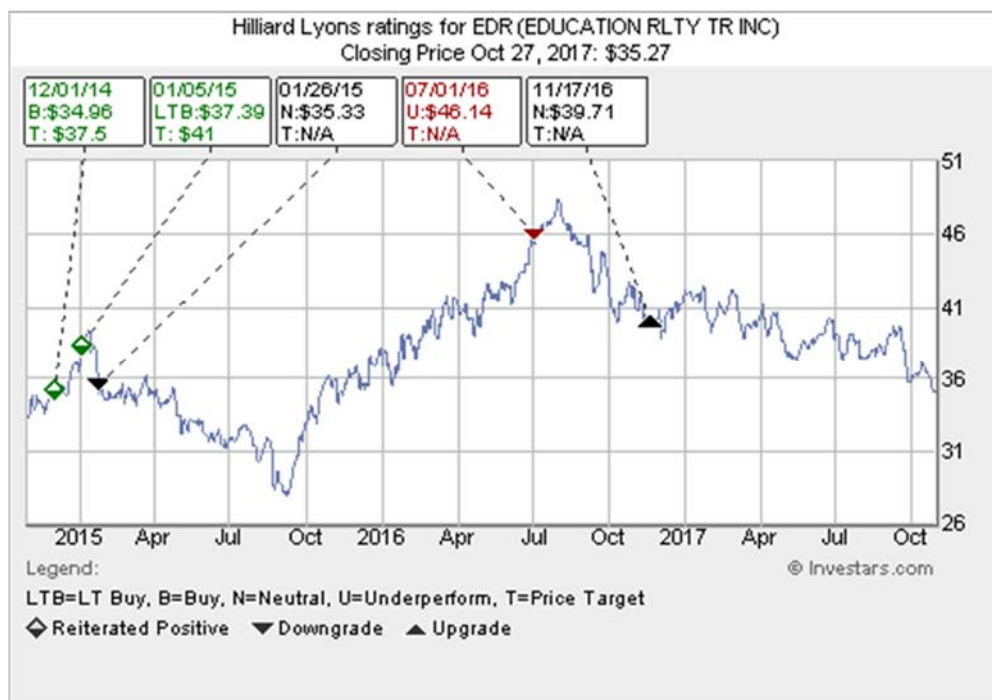
Suitability Ratings

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



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

Other Disclosures

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