

AMERICAN CAMPUS COMMUNITIES INC  
Form 10-K  
March 03, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2013.

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 001-32265 (American Campus Communities, Inc.)  
Commission file number 333-181102-01 (American Campus Communities Operating Partnership, L.P.)

AMERICAN CAMPUS COMMUNITIES, INC.  
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P.  
(Exact name of registrant as specified in its charter)

Maryland (American Campus Communities, Inc.)  
Maryland (American Campus Communities Operating  
Partnership, L.P.)

(State or Other Jurisdiction of  
Incorporation or Organization)

12700 Hill Country Blvd., Suite T-200  
Austin, TX  
(Address of Principal Executive Offices)

(512) 732-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)

Common Stock, \$.01 par value

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
American Campus Communities, Inc. Yes ý No o

76-0753089 (American Campus Communities,  
Inc.)

56-2473181 (American Campus Communities  
Operating  
Partnership, L.P.)

(IRS Employer Identification No.)

78738  
(Zip Code)

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American Campus Communities Operating Partnership, L.P.      Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

American Campus Communities, Inc.      Yes  No

American Campus Communities Operating Partnership, L.P.      Yes  No

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.

American Campus Communities, Inc.      Yes  No

American Campus Communities Operating Partnership, L.P.      Yes  No

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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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

American Campus Communities, Inc. Yes  No   
 American Campus Communities Operating Partnership, L.P. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

American Campus Communities, Inc.   
 American Campus Communities Operating Partnership, L.P.

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.

American Campus Communities, Inc.  
 Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

American Campus Communities Operating Partnership, L.P.  
 Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

American Campus Communities, Inc. Yes  No   
 American Campus Communities Operating Partnership, L.P. Yes  No

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was \$3,715,337,507 based on the last sale price of the common equity on June 28, 2013 which is the last business day of the Company's most recently completed second quarter.

There were 104,782,817 shares of the Company's common stock with a par value of \$0.01 per share outstanding as of the close of business on February 19, 2014.

#### DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference from the definitive Proxy Statement for the 2014 Annual Meeting of Stockholders.

## EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2013 of American Campus Communities, Inc. and American Campus Communities Operating Partnership, L.P.. Unless stated otherwise or the context otherwise requires, references to “ACC” mean American Campus Communities, Inc. a Maryland real estate investment trust (“REIT”), and references to “ACCOP” mean American Campus Communities Operating Partnership, L.P., a Maryland limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. The following chart illustrates the Company’s and the Operating Partnership’s corporate structure:

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of December 31, 2013, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of December 31, 2013, ACC owned an approximate 98.7% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of ACC consists of the same members as the management of ACCOP. The Company is structured as an umbrella partnership REIT (“UPREIT”) and ACC contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, ACC receives a number of units of ACCOP (“OP Units,” see definition below) equal to the number of common shares it has issued in the equity offering. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in ACCOP. Based on the terms of ACCOP’s partnership agreement, OP Units can be exchanged for ACC’s common shares on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units of ACCOP issued to ACC and ACC Holdings and the common shares issued to the public. The Company believes that combining the reports on Form 10-K of the Company and the Operating Partnership into this single report provides the following benefits:

- enhances investors’ understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

ACC consolidates ACCOP for financial reporting purposes, and ACC essentially has no assets or liabilities other than its investment in ACCOP. Therefore, the assets and liabilities of the Company and the Operating Partnership are the same on their respective financial statements. However, the Company believes it is important to understand the few differences between the Company and the Operating Partnership in the context of how the entities operate as a consolidated company. All of the Company’s property

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ownership, development and related business operations are conducted through the Operating Partnership. ACC also issues public equity from time to time and guarantees certain debt of ACCOP. ACC does not have any indebtedness, as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from ACC's equity offerings, which are contributed to the capital of ACCOP in exchange for OP Units on a one-for-one common share per OP Unit basis, the Operating Partnership generates all remaining capital required by the Company's business. These sources include, but are not limited to, the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its credit facilities, and proceeds received from the disposition of certain properties. Noncontrolling interests, stockholders' equity, and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements consist of the interests of unaffiliated partners in various consolidated joint ventures. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level and OP Unit holders of ACCOP. The differences between stockholders' equity and partners' capital result from differences in the type of equity issued at the Company and Operating Partnership levels.

To help investors understand the significant differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership. A single set of consolidated notes to such financial statements is presented that includes separate discussions for the Company and the Operating Partnership when applicable (for example, noncontrolling interests, stockholders' equity or partners' capital, earnings per share or unit, etc.). A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents discrete information related to each entity, as applicable. This report also includes separate Part II, Item 9A Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company operates its business through the Operating Partnership. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

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FORM 10-K  
FOR THE YEAR ENDED DECEMBER 31, 2013

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## PART I

### Item 1. Business

#### Overview

American Campus Communities, Inc. (“ACC”) is a real estate investment trust (“REIT”) that commenced operations effective with the completion of an initial public offering (“IPO”) on August 17, 2004. Through ACC’s controlling interest in American Campus Communities Operating Partnership L.P. (“ACCOP”), ACC is one of the largest owners, managers and developers of high quality student housing properties in the United States in terms of beds owned and under management. ACC is a fully integrated, self-managed and self-administered equity REIT with expertise in the acquisition, design, financing, development, construction management, leasing and management of student housing properties. ACC’s common stock is publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “ACC.”

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of December 31, 2013, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of December 31, 2013, ACC owned an approximate 98.7% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates ACC and ACCOP as one business. The management of ACC consists of the same members as the management of ACCOP. ACC consolidates ACCOP for financial reporting purposes, and ACC does not have significant assets other than its investment in ACCOP. Therefore, the assets and liabilities of ACC and ACCOP are the same on their respective financial statements. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP.

As of December 31, 2013, our total owned and third-party managed portfolio included 203 properties with approximately 128,500 beds in approximately 44,000 units.

#### Business Objectives, Investment Strategies, and Operating Segments

##### Business Objectives

Our primary business objectives are to create long-term stockholder value by deploying capital to develop, redevelop, acquire and operate student housing communities, and to sell communities when they no longer meet our long-term investment strategy and when market conditions are favorable. We believe we can achieve these objectives by continuing to implement our investment strategies and successfully manage our operating segments, which are described in more detail below.

##### Investment Strategies

We seek to own high quality, well designed and well located student housing properties. We seek to acquire or develop properties in markets that have stable or increasing student populations, are in submarkets with barriers to entry and provide opportunities for economic growth as a result of their product position and/or differentiated design and close proximity to campuses, or through our superior operational capabilities. We believe that our reputation and established relationships with universities give us an advantage in sourcing acquisitions and developments and obtaining municipal approvals and community support for our development projects.

Acquisitions: As discussed in more detail in Note 5 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, in 2013, we acquired 6 off-campus properties and an additional phase at an existing property containing 1,416 units and 3,725 beds for a combined purchase price of approximately \$318.8 million.

We believe our relationships with university systems and individual educational institutions, our knowledge of the student housing market and our prominence as the first publicly-traded REIT focused exclusively on student housing in the United States will afford us a competitive advantage in acquiring additional student housing properties.

Development: In August and September 2013, we completed the final stages of construction on four owned off-campus properties and three on-campus American Campus Equity (“ACE<sup>®</sup>”) properties containing 3,945 beds in 1,081 units. In addition, as of December 31, 2013, we were in the process of constructing four on-campus ACE properties, three owned off-campus properties and one on-campus participating property. In addition, a third-party developer was in the process of constructing an off-campus property located in Knoxville, Tennessee (University Walk) that we did not own as of December 31, 2013, but are obligated to



purchase as long as the developer meets certain construction completion deadlines and other closing conditions. These properties are summarized in the table below:

Project	Project Type	Location	Primary University Served	Units	Beds	Estimated Project Cost	Total Costs Incurred as of December 31, 2013	Scheduled to Open for Occupancy
The Plaza on University Stanworth Commons Phase I	Off-campus	Orlando, FL	University of Central Florida	364	1,313	\$112,300	\$72,168	August 2014
U Club on Frey Phase II	ACE	Princeton, NJ	Princeton University	127	214	35,800	18,970	July 2014
U Centre at Northgate	Off-campus	Kennesaw, GA	Kennesaw State University	102	408	25,300	14,322	August 2014
The Suites Phase II	ACE	College Station, TX	Texas A&M University	196	784	37,500	14,681	August 2014
University Walk <sup>(1)</sup>	ACE	Flagstaff, AZ	Northern Arizona University	164	328	19,300	3,779	August 2014
West Virginia University Project <sup>(2)</sup>	Pre-sale	Knoxville, TN	University of Tennessee	177	526	32,300	10,623	August 2014
	On-campus participating	Morgantown, WV	West Virginia University	224	567	44,200	19,792	August 2014
SUBTOTAL – 2014 DELIVERIES				1,354	4,140	\$306,700	\$154,335	
Lancaster Project	ACE	Philadelphia, PA	Drexel University	351	1,316	170,700	17,430	September 2015
Eugene, OR Development	Off-campus	Eugene, OR	University of Oregon	192	734	64,600	10,204	September 2015
SUBTOTAL – 2015 DELIVERIES				543	2,050	\$235,300	\$27,634	
TOTAL – ALL PROJECTS				1,897	6,190	\$542,000	\$181,969	

(1) We did not own this property as of December 31, 2013 but are obligated to purchase the property as long as the developer meets certain construction completion deadlines and other closing conditions.

(2) In July 2013, we entered into long-term ground and facility leases with the University to finance, construct and manage this on-campus participating property. Under the terms of the leases, title to the constructed facility will be held by the University/lessor and the University will receive 50% of defined net cash flows on an annual basis through the term of the leases.

Our experienced development staff intends to continue to identify and acquire land parcels in close proximity to colleges and universities that offer location advantages or that allow for the development of unique products that offer a competitive advantage. We expect to continue to benefit from opportunities derived from our extensive network with colleges and universities as well as our relationship with certain developers with whom we have previously developed student housing properties.

#### Operating Segments

We define business segments by their distinct customer base and service provided. We have identified four reportable segments: Wholly-Owned Properties, On-Campus Participating Properties, Development Services and Property Management Services. For a detailed financial analysis of our segments' results of operations and financial position, please refer to Note 18 in the accompanying Notes to Consolidated Financial Statements contained in Item 8.

#### Property Operations

**Unique Leasing Characteristics:** Student housing properties are typically leased by the bed on an individual lease liability basis, unlike multifamily housing where leasing is by the unit. 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 generally required to execute each lease as a guarantor unless the resident provides adequate proof of income or financial aid. The number of lease contracts that we administer is therefore approximately equivalent to the number of beds occupied and not the number of units. Unlike traditional multifamily housing, most of our leases for an individual property commence and terminate on the same dates and typically have terms of 9 or 12 months. (Please refer to the property table contained in Item 2 – Properties for a listing of the typical lease terms at our properties.) As an example, in the case of our typical 12-month leases, the commencement date coincides with the commencement of the respective university's Fall academic term and the termination date is the last day of the subsequent summer school session. As such, we must re-lease each property in its entirety each year.

**Management Philosophy:** Our management philosophy is based upon meeting the following objectives:

• Satisfying the specialized needs of residents by providing the highest levels of customer service;

- Developing and maintaining an academically oriented environment via a premier residence life/student development program;
- Maintaining each project's physical plant in top condition;
- Maximizing revenue through the development and implementation of a strategic annual marketing plan and leasing administration program; and
- Maximizing cash flow through maximizing revenue coupled with prudent control of expenses.

LAMS: We believe we have developed the industry's only specialized, fully integrated leasing administration and marketing software program, which we call LAMS. We utilize LAMS to maximize our revenue and improve the efficiency and effectiveness of our marketing and lease administration process. Through LAMS, each of our properties' ongoing marketing and leasing efforts are supervised at the corporate office on a real time basis. Among other things, LAMS provides:

- a fully integrated prospect tracking and follow-up system;
- a built-in marketing effectiveness program to measure the success of our marketing efforts on a real time basis;
- a real-time monitor of lease closings and leasing terms;
- an automated lease generation system;
- the generation of future period rent rolls to aid in budgeting and forecasting; and
- a customized report writer.

Wholly-Owned Properties: Off-campus properties are generally located in close proximity to the school campus, generally with pedestrian, bicycle, or university shuttle access. Off-campus housing tends to offer more relaxed rules and regulations than on-campus housing, resulting in off-campus housing being generally more appealing to upper-classmen. We believe that the support of colleges and universities can be beneficial to the success of our wholly-owned properties. We actively seek to have these institutions recommend our facilities to their students or to provide us with mailing lists so that we may directly market to students and parents. In some cases, the institutions actually promote our off-campus facilities in their recruiting and admissions literature. In cases where the educational institutions do not provide mailing lists or recommendations for off-campus housing, most provide comprehensive lists of suitable properties to their students, and we continually work to ensure that our properties are on these lists in each of the markets that we serve.

Off-campus housing is subject to competition for tenants with on-campus housing owned by colleges and universities, and vice versa. Colleges and universities can generally avoid real estate taxes and borrow funds at lower interest rates than us (and other private sector operators), thereby decreasing their operating costs. Residence halls owned and operated by the primary colleges and universities in the markets of our off-campus properties may charge lower rental rates, but typically offer fewer amenities than we offer at our properties. Additionally, most universities are only able to house a small percentage of their overall enrollment, and are therefore highly dependent upon the off-campus market to provide housing for their students. High-quality, well run off-campus student housing can be a critical component to an institution's ability to attract and retain students. Therefore, developing and maintaining good relationships with educational institutions can result in a privately owned off-campus facility becoming, in effect, an extension of the institution's housing program, with the institution providing highly valued references and recommendations to students and parents.

This segment also competes with national and regional owner-operators of off-campus student housing in a number of markets as well as with smaller local owner-operators. Therefore, the performance of this segment could be affected by the construction of new on-campus or off-campus residences, increases or decreases in the general levels of rents for housing in competing communities, increases or decreases in the number of students enrolled at one or more of the colleges or universities in the market of a property, and other general economic conditions.

American Campus Equity (ACE): Included in our wholly-owned properties segment and branded and marketed to colleges and universities as the ACE program, this transaction structure provides us with what we believe is a lower-risk opportunity compared to other off-campus projects, as our ACE projects will have premier on-campus locations with marketing and operational assistance from the university. The subject university substantially benefits by increasing its housing capacity with modern, well-amenitized student housing with no or minimal impacts to its own credit ratios, preserving the university's credit capacity to fund academic and research facilities.

On-Campus Participating Properties: Our On-Campus Participating Properties segment includes four on-campus properties owned by one of our taxable REIT subsidiaries ("TRSs") that are operated under long-term ground/facility leases with two university systems and one on-campus property owned by ACCOP that is currently under development and scheduled to open for occupancy in August 2014. Under our ground/facility leases, we receive an annual distribution representing 50% of these properties' net cash flows, as defined in the ground/facility lease agreements. We also manage these properties under long-term management

agreements and are paid management fees equal to a percentage of defined gross receipts. Refer to Note 8 in the accompanying Notes to Consolidated Financial Statements contained in Item 8 herein for a more detailed description of these properties.

Our on-campus participating properties are susceptible to some of the same risks as our wholly-owned properties, including: (i) seasonality in rents; (ii) annual re-leasing that is highly dependent on marketing and university admission policies; and (iii) competition for tenants from other on-campus housing operated by educational institutions or other off-campus properties.

### Third-Party Services

Our third-party services consist of development services and management services and are typically provided to university and college clients. Many of our third-party management services are provided to clients for whom we also provide development services. While management evaluates the operational performance of our third-party services based on the distinct segments identified below, at times we also evaluate these segments on a combined basis.

**Development Services:** Our Development Services segment consists of development and construction management services that we provide through one of our TRSs for third-party owners. These services range from short-term consulting projects to long-term full-scale development and construction projects. We typically provide these services to colleges and universities seeking to modernize their on-campus student housing properties. They look to us to bring our student housing experience and expertise to ensure they develop marketable, functional, and financially sustainable facilities. Educational institutions usually seek to build housing that will enhance their recruitment and retention of students while facilitating their academic objectives. Most of these development service contracts are awarded via a competitive request for proposal (“RFP”) process that qualifies developers based on their overall capability to provide specialized student housing design, development, construction management, financial structuring, and property management services. Our development services typically include pre-development, design and financial structuring services. Our pre-development services typically include feasibility studies for third-party owners and design services. Feasibility studies include an initial feasibility analysis, review of conceptual design, and assistance with master planning. Some of the documents produced in this process include the conceptual design documents, preliminary development and operating budgets, cash flow projections and a preliminary market assessment. Our design services include coordination with the architect and other members of the design team, review of construction plans and assistance with project due diligence and project budgets.

Construction management services typically consist of hiring of project professionals and a general contractor, coordinating and supervising the construction, equipping and furnishing process on behalf of the project owner, including site visits, hiring of a general contractor and project professionals, and full coordination and administration of all activities necessary for project completion in accordance with plans and specifications and with verification of adequate insurance.

Our Development Services activities benefit our primary goal of owning and operating student housing properties in a number of ways. By providing these services to others, we are able to expand and refine our unit plan and community design, the operational efficiency of our material specifications and our ability to determine market acceptance of unit and community amenities. Our development and construction management personnel enable us to establish relationships with general contractors, architects and project professionals throughout the nation. Through these services, we gain experience and expertise in residential and commercial construction methodologies under various labor conditions, including right-to-work labor markets, markets subject to prevailing wage requirements and fully unionized environments. This segment is subject to competition from other specialized student housing development companies as well as from national real estate development companies.

Property Management Services: Our Property Management Services segment, conducted by our TRSs, includes revenues generated from third-party management contracts in which we are typically responsible for all aspects of operations, including marketing, leasing administration, facilities maintenance, business administration, accounts payable, accounts receivable, financial reporting, capital projects, and residence life student development. We provide these services pursuant to management agreements that have initial terms that range from one to five years.

There are several housing options that compete with our third-party managed properties including, but not limited to, multifamily housing, for-rent single family dwellings, other off-campus specialized student housing and the aforementioned on-campus participating properties.

#### Americans with Disabilities Act and Federal Fair Housing Act

Many laws and governmental regulations are applicable to our properties and changes in the laws and regulations, or their interpretation by agencies and the courts, occur frequently. Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are “public accommodations” as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that the existing properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we intend to continue to assess our properties and to make alterations as appropriate in this respect.

Under the federal and state fair housing laws, discrimination on the basis of certain protected classes is prohibited. Violation of these laws can result in significant damage awards to victims.

#### Environmental Matters

Under various laws and regulations relating to the protection of the environment, an owner of real estate may be held liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in its property. These laws often impose liability without regard to whether the owner was responsible for, or even knew of, the presence of such substances. The presence of such substances may adversely affect the owner’s ability to rent or sell the property or use the property as collateral. Independent environmental consultants conducted environmental site assessments on all of the wholly-owned properties and on-campus participating properties in our existing portfolio. We are not aware of any environmental conditions that management believes would have a material adverse effect on the Company. There is no assurance, however, that environmental site assessments or other investigations would reveal all environmental conditions or that environmental conditions not known to us may exist now or in the future which would result in liability to the Company for remediation or fines, either under existing laws and regulations or future changes to such requirements.

From time to time, the United States Environmental Protection Agency, or EPA, designates certain sites affected by hazardous substances as “Superfund” sites pursuant to CERCLA. Superfund sites can cover large areas, affecting many different parcels of land. Although CERCLA imposes joint and several liability for contamination on property owners and operators regardless of fault, the EPA may choose to pursue potentially responsible parties (“PRPs”) based on their actual contribution to the contamination. PRPs are liable for the costs of responding to the hazardous substances. Each of Villas on Apache (disposed of in April 2011), The Village on University (disposed of in December 2006) and University Village at San Bernardino (disposed of in January 2005) are located within federal Superfund sites. The EPA designated these areas as Superfund sites because groundwater underneath these areas is contaminated. We have not been named, and do not expect to be named, as a PRP with respect to these sites. However, there can be no assurance regarding potential future developments concerning such sites.

#### Insurance

We carry liability and property insurance on our properties, which we believe is of the type and amount customarily obtained on real property assets. We intend to obtain similar coverage for properties we acquire in the future. However, there are certain types of losses, generally of a catastrophic nature, such as losses from floods or earthquakes, which may be subject to limitations in certain areas. When not otherwise contractually stipulated, we exercise our judgment in determining amounts, coverage limits, and deductibles, in an effort to maintain appropriate levels of insurance on our investments. If we suffer a substantial loss, our insurance coverage may not be sufficient due to market conditions at the time or other unforeseen factors. Inflation, changes in building codes and ordinances,

environmental considerations and other factors also might make it infeasible to use insurance proceeds to replace a property after it has been damaged or destroyed.

## Employees

As of December 31, 2013, we had approximately 3,059 employees, consisting of:

- approximately 1,930 on-site employees in our wholly-owned properties segment, including 802 Resident Assistants;
- approximately 110 on-site employees in our on-campus participating properties segment, including 48 Resident Assistants;
- approximately 884 employees in our property management services segment, including 751 on-site employees and 133 corporate office employees;
- approximately 48 corporate office employees in our development services segment; and
- approximately 87 executive, corporate administration and financial personnel.



Our employees are not currently represented by a labor union.

#### Offices and Website

Our principal executive offices are located at 12700 Hill Country Boulevard, Suite T-200 Austin, TX 78738. Our telephone number at that location is (512) 732-1000.

We file our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports required by Sections 13(a) and 15(d) of the Securities Exchange Act of 1934. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

Our website is located at [www.americancampus.com](http://www.americancampus.com). We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our website also contains copies of our Corporate Governance Guidelines and Code of Business Ethics as well as the charters of our Nominating and Corporate Governance, Audit, and Compensation committees. The information on our website is not part of this filing.

#### Forward-looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements presented in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions, do not relate solely to historical matters and are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you that forward-looking statements are not guarantees of future performance and will be impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they were made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following: general risks affecting the real estate industry; risks associated with changes in University admission or housing policies; risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments; failure to manage effectively our growth and expansion into new markets or to integrate acquisitions successfully; risks and uncertainties affecting property development and construction; risks associated with downturns in the national and local economies, volatility in capital and credit markets, increases in interest rates, and volatility in the securities markets; costs of compliance with the Americans with Disabilities Act and other similar laws; potential liability for uninsured losses and environmental contamination; risks associated with our Company's potential failure to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code"), as amended, and possible adverse changes

in tax and environmental laws; and the other factors discussed in the “Risk Factors” contained in Item 1A of this report.

Item 1A. Risk Factors

The following risk factors may contain defined terms that are different from those used in other sections of this report. Unless otherwise indicated, when used in this section, the terms “we” and “us” refer to American Campus Communities, Inc. and its subsidiaries, including American Campus Communities Operating Partnership LP, our Operating Partnership, and the term “securities” refers to shares of common stock of American Campus Communities, Inc. and units of limited partnership interest in our Operating Partnership.

The factors described below represent the Company’s principal risks. Other factors may exist that the Company does not consider being significant based on information that is currently available or that the Company is not currently able to anticipate.

## Risks Related to Our Properties, Our Markets and Our Business

Volatility in capital and credit markets, or other unfavorable changes in economic conditions, could adversely impact us.

The capital and credit markets experienced volatility and disruption, particularly in the latter half of 2008 through the first quarter of 2010. This made it more difficult to borrow money. In the event of renewed market disruption or volatility, we may not be able to obtain new debt financing or refinance our existing debt on favorable terms or at all, which would adversely affect our liquidity, our ability to make distributions to equity holders, acquire and dispose of assets and continue our development pipeline. Unfavorable changes in economic conditions may have a material adverse impact on our cash flows and operating results.

Our results of operations are subject to an annual leasing cycle, short lease-up period, seasonal cash flows, changing university admission and housing policies and other risks inherent in the student housing industry.

We generally lease our owned properties under 12-month leases, and in certain cases, under nine-month or shorter-term semester leases. As a result, we may experience significantly reduced cash flows during the summer months at properties with lease terms shorter than 12 months. Furthermore, all of our properties must be entirely re-leased each year, exposing us to increased leasing risk. In addition, we are subject to increased leasing risk on our properties under construction and future acquired properties based on our lack of experience leasing those properties and unfamiliarity with their leasing cycles. Student housing properties are also typically leased during a limited leasing season that usually begins in January and ends in August of each year. We are therefore highly dependent on the effectiveness of our marketing and leasing efforts and personnel during this season.

Changes in university admission policies could adversely affect us. For example, if a university reduces the number of student admissions or requires that a certain class of students, such as freshman, live in a university owned facility, the demand for beds at our properties may be reduced and our occupancy rates may decline. While we may engage in marketing efforts to compensate for such change in admission policy, we may not be able to affect such marketing efforts prior to the commencement of the annual lease-up period or our additional marketing efforts may not be successful.

We rely on our relationships with colleges and universities for referrals of prospective student-tenants or for mailing lists of prospective student-tenants and their parents. Many of these colleges and universities own and operate their own competing on-campus facilities. Any failure to maintain good relationships with these colleges and universities could therefore have a material adverse effect on us. If colleges and universities refuse to make their lists of prospective student-tenants and their parents available to us or increase the costs of these lists, there could be a material adverse effect on us.

Federal and state laws require colleges to publish and distribute reports of on-campus crime statistics, which may result in negative publicity and media coverage associated with crimes occurring on or in the vicinity of our on-campus properties. Reports of crime or other negative publicity regarding the safety of the students residing on, or near, our properties may have an adverse effect on both our on-campus and off-campus business.

We face significant competition from university-owned on-campus student housing, from other off-campus student housing properties and from traditional multifamily housing located within close proximity to universities.

On-campus student housing has certain inherent advantages over off-campus student housing in terms of physical proximity to the university campus and integration of on-campus facilities into the academic community. Colleges and universities can generally avoid real estate taxes and borrow funds at lower interest rates than us and other private

sector operators. We also compete with national and regional owner-operators of off-campus student housing in a number of markets as well as with smaller local owner-operators.

Currently, the industry is fragmented with no participant holding a significant market share. There are a number of student housing complexes that are located near or in the same general vicinity of many of our owned properties and that compete directly with us. Such competing student housing complexes may be newer than our properties, located closer to campus, charge less rent, possess more attractive amenities or offer more services or shorter term or more flexible leases.

Rental income at a particular property could also be affected by a number of other factors, including the construction of new on-campus and off-campus residences, increases or decreases in the general levels of rents for housing in competing communities, increases or decreases in the number of students enrolled at one or more of the colleges or universities in the market of the property and other general economic conditions.

We believe that a number of other large national companies with substantial financial and marketing resources may be potential entrants in the student housing business. The entry of one or more of these companies could increase competition for students and for the acquisition, development and management of other student housing properties.

We may be unable to successfully complete and operate our properties or our third-party developed properties.

We intend to continue to develop and construct student housing. These activities may include any of the following risks:

- we may be unable to obtain financing on favorable terms or at all;
- we may not complete development projects on schedule, within budgeted amounts or in conformity with building plans and specifications;
- we may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations;
- occupancy and rental rates at newly developed or renovated properties may fluctuate depending on a number of factors, including market and economic conditions, and may reduce or eliminate our return on investment;
- we may become liable for injuries and accidents occurring during the construction process and for environmental liabilities, including off-site disposal of construction materials;
- we may decide to abandon our development efforts if we determine that continuing the project would not be in our best interests; and
- we may encounter strikes, weather, government regulations and other conditions beyond our control.

Our newly developed properties will be subject to risks associated with managing new properties, including lease-up and integration risks. In addition, new development activities, regardless of whether or not they are ultimately successful, typically will require a substantial portion of the time and attention of our development and management personnel. Newly developed properties may not perform as expected.

We anticipate that we will, from time to time, elect not to proceed with ongoing development projects. If we elect not to proceed with a development project, the development costs associated therewith will ordinarily be charged against income for the then-current period. Any such charge could have a material adverse effect on our results of operations in the period in which the charge is taken.

We may in the future develop properties nationally, internationally or in geographic regions other than those in which we currently operate. We do not possess the same level of familiarity with development in these new markets, which could adversely affect our ability to develop such properties successfully or at all or to achieve expected performance. Future development opportunities may not be available to us on terms that meet our investment criteria or we may be unsuccessful in capitalizing on such opportunities. Our ability to capitalize on such opportunities will be largely dependent upon external sources of capital that may not be available to us on favorable terms or at all.

We typically provide guarantees of timely completion of projects that we develop for third parties. In certain cases, our contingent liability under these guarantees may exceed our development fee from the project. Although we seek to mitigate this risk by, among other things, obtaining similar guarantees from the project contractor, we could sustain significant losses if development of a project were to be delayed or stopped and we were unable to cover our guarantee exposure with the guarantee received from the project contractor.

We may be unable to successfully acquire properties on favorable terms.

Our future growth will be in part dependent upon our ability to successfully acquire new properties on favorable terms. With respect to recently acquired properties, and as we acquire additional properties, we will continue to be

subject to risks associated with managing new properties, including lease-up and integration risks. Newly developed and recently acquired properties may not perform as expected and may have characteristics or deficiencies unknown to us at the time of acquisition. Future acquisition opportunities may not be available to us on terms that meet our investment criteria or we may be unsuccessful in capitalizing on such opportunities. Our ability to capitalize on such opportunities will be largely dependent upon external sources of capital that may not be available to us on favorable terms or at all.

Our ability to acquire properties on favorable terms and successfully operate them involves the following significant risks:

- our potential inability to acquire a desired property may be caused by competition from other real estate investors;
- competition from other potential acquirers may significantly increase the purchase price and decrease expected yields;
- we may be unable to finance an acquisition on favorable terms or at all;

• we may have to incur significant unexpected capital expenditures to improve or renovate acquired properties;  
• we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;  
• market conditions may result in higher than expected costs and vacancy rates and lower than expected rental rates;  
and  
• we may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of our properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of our properties.

Our failure to finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, could adversely affect us.

Difficulties of selling real estate could limit our flexibility.

We intend to evaluate the potential disposition of assets that may no longer help us meet our objectives. When we decide to sell an asset, we may encounter difficulty in finding buyers in a timely manner as real estate investments generally cannot be disposed of quickly, especially when market conditions are poor. This may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In addition, in order to maintain our status as a REIT, the Internal Revenue Code imposes restrictions on our ability to sell properties held fewer than two years, which may cause us to incur losses thereby reducing our cash flows and adversely impacting distributions to equity holders.

Our debt level reduces cash available for distribution and could have other important adverse consequences.

As of December 31, 2013, our total consolidated indebtedness was approximately \$2,671.8 million (excluding unamortized mortgage debt premiums and discounts). Our debt service obligations expose us to the risk of default and reduce or eliminate cash resources that are available to operate our business or pay distributions that are necessary to maintain our qualification as a REIT. There is no limit on the amount of indebtedness that we may incur except as provided by the covenants in our corporate-level debt. We may incur additional indebtedness to fund future property development, acquisitions and other working capital needs, which may include the payment of distributions to our security holders. The amount available to us and our ability to borrow from time to time under our corporate-level debt is subject to certain conditions and the satisfaction of specified financial and other covenants. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- We may be unable to borrow additional funds as needed or on favorable terms.
- We may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness.
- We may be forced to dispose of one or more of our properties, possibly on disadvantageous terms.
- We may default on our scheduled principal payments or other obligations as a result of insufficient cash flow or otherwise, and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases.
- Foreclosures could create taxable income without accompanying cash proceeds, a circumstance that could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code.
- Compliance with the provisions of our debt agreements, including the financial and other covenants, such as the maintenance of specified financial ratios, could limit our flexibility and a default in these requirements, if uncured, could result in a requirement that we repay indebtedness, which could severely affect our liquidity and increase our financing costs.

We may be unable to renew, repay or refinance our outstanding debt.

We are subject to the risk that our indebtedness will not be able to be renewed, repaid or refinanced when due or that the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we were unable to refinance our indebtedness on acceptable terms, or at all, we might be forced to dispose of one or more of our properties on disadvantageous terms, which might result in losses to us. Such losses could have a material adverse effect on us and our ability to make distributions to our equity holders and pay amounts due on our debt.

Variable rate debt is subject to interest rate risk.

We have construction loans with varying interest rates that are dependent upon the market index. In addition, we have an unsecured revolving credit facility and a secured agency facility, each of which bears interest at a variable rate on all amounts drawn on the

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facility. In December 2013, we borrowed \$250 million under a new unsecured term loan which bears interest at a variable rate and we may incur additional variable rate debt in the future. Increases in interest rates on variable rate debt would increase our interest expense, unless we make arrangements that hedge the risk of rising interest rates, which would adversely affect net income and cash available for payment of our debt obligations and distributions to equity holders.

Failure to maintain our current credit ratings could adversely affect our cost of funds, liquidity and access to capital markets.

Moody's and Standard & Poor's, the major debt rating agencies, have evaluated our debt and have given us ratings of Baa3 and BBB-, respectively. These ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality and sustainability of cash flow and earnings. Due to changes in market conditions, we may not be able to maintain our current credit ratings, which will adversely affect the cost of funds under our credit facilities, and could also adversely affect our liquidity and access to capital markets.

We may incur losses on interest rate swap and hedging arrangements.

We may periodically enter into agreements to reduce the risks associated with increases in interest rates. Although these agreements may partially protect against rising interest rates, they also may reduce the benefits to us if interest rates decline. If an arrangement is not indexed to the same rate as the indebtedness that is hedged, we may be exposed to losses to the extent which the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Finally, nonperformance by the other party to the arrangement may subject us to increased credit risks.

We could be negatively impacted by the elimination of Fannie Mae or Freddie Mac.

Fannie Mae and Freddie Mac are a major source of financing for secured residential real estate. We and other residential companies have used Fannie Mae and Freddie Mac to finance growth by purchasing or guaranteeing apartment loans. In June 2013, a bipartisan group of senators proposed an overhaul of the housing finance system that would wind down Fannie Mae and Freddie Mac in five years. In August 2013, President Obama's administration announced his support for this legislation. A final decision by the government to eliminate Fannie Mae or Freddie Mac, or reduce their role in the mortgage market, may adversely affect interest rates, capital availability or the development of student housing properties.

We face risks associated with land holdings.

We hold land for future development and may in the future acquire additional land holdings. The risks inherent in owning or purchasing and developing land increase as demand for student housing, or rental rates, decrease. As a result, we hold certain land and may in the future acquire additional land in our development pipeline at a cost we may not be able to recover fully or on which we cannot build and develop into a profitable student housing project. Also, real estate markets are highly uncertain and, as a result, the value of undeveloped land has fluctuated significantly and may continue to fluctuate as a result of changing market conditions. In addition, carrying costs can be significant and can result in losses or reduced margins in a poorly performing project. If there are subsequent changes in the fair value of our land holdings that we determine is less than the carrying basis of our land holdings reflected in our financial statements plus estimated costs to sell, we may be required to take future impairment charges, which would reduce our net income.

We may not be able to recover pre-development costs for third-party university developments.

University systems and educational institutions typically award us development services contracts on the basis of a competitive award process, but such contracts are typically executed following the formal approval of the transaction by the institution's governing body. In the intervening period, we may incur significant pre-development and other costs in the expectation that the development services contract will be executed. If an institution's governing body does not ultimately approve our selection and the terms of the pending development contract, we may not be able to recoup these costs from the institution and the resulting losses could be material.

Our awarded projects may not be successfully structured or financed and may delay our recognition of revenues.

The recognition and timing of revenues from our awarded development services projects will, among other things, be contingent upon successfully structuring and closing project financing as well as the timing of construction. The development projects that we have been awarded have at times been delayed beyond the originally scheduled construction commencement date. If such delays were to occur with our current awarded projects, our recognition of expected revenues and receipt of expected fees from these projects would be delayed.

We may encounter delays in completion or experience cost overruns with respect to our properties under construction.

As of December 31, 2013, we were in the process of constructing seven wholly-owned properties and one on-campus participating property. These properties are subject to the various risks relating to properties that are under construction referred to elsewhere in these risk factors, including the risks that we may encounter delays in completion and that any such project may experience cost overruns or may not be completed on time. Additionally, if we do not complete the construction of properties on schedule, we may be required to provide alternative housing to the students with whom we have signed leases. We generally do not make any arrangements for such alternative housing for these properties and we would likely incur significant expenses in the event we provide such housing. If construction is not completed on schedule, students may attempt to break their leases and our occupancy at such properties for that academic year may suffer.

Our guarantees could result in liabilities in excess of our development fees.

In third-party developments, we typically provide guarantees of the obligations of the developer, including development budgets and timely project completion. These guarantees include, among other things, the cost of providing alternate housing for students in the event we do not timely complete a development project. These guarantees typically exclude delays resulting from force majeure and also, in third-party transactions, are typically limited in amount to the amount of our development fees from the project. In certain cases, however, our contingent liability under these guarantees has exceeded our development fee from the project and we may agree to such arrangements in the future. Our obligations under alternative housing guarantees typically expire five days after construction is complete. Project cost guarantees are normally satisfied within one year after completion of the project.

Universities have the right to terminate our participating ground leases.

The ground leases through which we own our on-campus participating properties provide that the university lessor may purchase our interest in and assume the management of the facility, with the purchase price calculated at the discounted present value of cash flows from our leasehold interest. The exercise of any such buyout would result in a reduction in our portfolio.

Changes in laws could affect our business.

We are generally not able to pass through to our residents under existing leases real estate taxes, income taxes or other taxes. Consequently, any such tax increases may adversely affect our financial condition and limit our ability to satisfy our financial obligations and make distributions to security holders. Changes that increase our potential liability under environmental laws or our expenditures on environmental compliance could have the same impact.

Litigation risks could affect our business.

As a publicly traded owner of properties, we have become and in the future may become involved in legal proceedings, including consumer, employment, tort or commercial litigation, that if decided adversely to or settled by us, and not adequately covered by insurance, could result in liability that is material to our financial condition or results of operations.

#### Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to satisfy our financial obligations and make expected distributions to our security holders depends on our ability to generate cash revenues in excess of expenses and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include:

- general economic conditions;
- rising level of interest rates;
- local oversupply, increased competition or reduction in demand for student housing;
- inability to collect rent from tenants;
- vacancies or our inability to rent units on favorable terms;
- inability to finance property development and acquisitions on favorable terms;
- increased operating costs, including insurance premiums, utilities, and real estate taxes;
- costs of complying with changes in governmental regulations;
- the relative illiquidity of real estate investments;

- decreases in student enrollment at particular colleges and universities;
- changes in university policies related to admissions and housing; and
- changing student demographics.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect us.

Potential losses may not be covered by insurance.

We carry fire, earthquake, terrorism, business interruption, vandalism, malicious mischief, boiler and machinery, commercial general liability and workers' compensation insurance covering all of the properties in our portfolio under various policies. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. There are, however, certain types of losses, such as property damage from generally unsecured losses such as riots, wars, punitive damage awards or acts of God that may be either uninsurable or not economically insurable. Some of our properties are insured subject to limitations involving large deductibles and policy limits that may not be sufficient to cover losses. In addition, we may discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums from any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss.

If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged and require substantial expenditures to rebuild or repair. In the event of a significant loss at one or more of our properties, the remaining insurance under our policies, if any, could be insufficient to adequately insure our other properties. In such event, securing additional insurance, if possible, could be significantly more expensive than our current policies.

Unionization or work stoppages could have an adverse effect on us.

We are at times required to use unionized construction workers or to pay the prevailing wage in a jurisdiction to such workers. Due to the highly labor intensive and price competitive nature of the construction business, the cost of unionization and/or prevailing wage requirements for new developments could be substantial. Unionization and prevailing wage requirements could adversely affect a new development's profitability. Union activity or a union workforce could increase the risk of a strike, which would adversely affect our ability to meet our construction timetables.

We could incur significant costs related to government regulation and private litigation over environmental matters.

Under various environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), a current or previous owner or operator of real property may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property, and an entity that arranges for the disposal or treatment of a hazardous or toxic substance or petroleum at another property may be held jointly and severally liable for the cost to investigate and clean up such property or other affected property. Such parties are known as potentially responsible parties ("PRPs"). Such environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the costs of any required investigation or cleanup of these substances can be substantial. PRPs are liable to the government as well as to other PRPs who may have claims for contribution. The liability is generally not

limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for personal injury or property damage, or adversely affect our ability to sell, lease or develop the real property or to borrow using the real property as collateral.

Environmental laws also impose ongoing compliance requirements on owners and operators of real property. Environmental laws potentially affecting us address a wide variety of matters, including, but not limited to, asbestos-containing building materials ("ACBM"), storage tanks, storm water and wastewater discharges, lead-based paint, wetlands, and hazardous wastes. Failure to comply with these laws could result in fines and penalties or expose us to third-party liability. Some of our properties may have conditions that are subject to these requirements and we could be liable for such fines or penalties or liable to third parties.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Some of the properties in our portfolio may contain asbestos-containing building materials, or ACBMs. Environmental laws require that ACBMs be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. Also, some of the properties in our portfolio contain, or may have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Third parties may be permitted by law to seek recovery from owners or operators for personal injury associated with exposure to contaminants, including, but not limited to, petroleum products, hazardous or toxic substances, and asbestos fibers. Also, some of the properties may contain regulated wetlands that can delay or impede development or require costs to be incurred to mitigate the impact of any disturbance. Absent appropriate permits, we can be held responsible for restoring wetlands and be required to pay fines and penalties.

Insurance carriers have reacted to awards or settlements related to lawsuits against owners and managers of residential properties alleging personal injury and property damage caused by the presence of mold in residential real estate by excluding mold related programs designed to minimize the existence of mold in any of our properties as well as guidelines for promptly addressing and resolving reports of mold to minimize any impact mold might have on residents or the property.

Environmental liability at any of our properties, including those related to the existence of mold, may have a material adverse effect on our financial condition, results of operations, cash flow, the trading price of our stock or our ability to satisfy our debt service obligations and pay dividends or distributions to our security holders.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. For example, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. We have not conducted an audit or investigation of all of our properties to determine our compliance with present requirements. Noncompliance with the ADA or FHAA could result in the imposition of fines or an award or damages to the government or private litigants and also could result in an order to correct any non-complying feature. Also, discrimination on the basis of certain protected classes can result in significant awards to victims. We cannot predict the ultimate amount of the cost of compliance with the ADA, FHAA or other legislation. If we incur substantial costs to comply with the ADA, FHAA or any other legislation, we could be materially and adversely affected.

We may incur significant costs complying with other regulations.

The properties in our portfolio are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. Furthermore, existing requirements could change and require us to make significant unanticipated expenditures that would materially and adversely affect us.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between our co-venturers and us.

We have co-invested, and may continue in the future to co-invest, with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In connection with joint venture investments, we do not have sole decision-making control regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third-party not involved, including the possibility that our partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Our partners or co-venturers also may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our preferences, policies or objectives. Such investments also will have the potential risk of impasses on decisions, such as a sale, because neither we nor our partners or co-venturers would have full control over the partnership or joint venture. Disputes between us and our partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort exclusively on our business. Consequently, actions by or disputes with our partners or co-venturers might result in subjecting properties owned by the partnership, joint venture or other entity to additional risk. In addition, we may in certain circumstances be liable for the actions of our partners or co-venturers.



A cybersecurity incident and other technology disruptions could negatively impact our business and our relationships with residents.

We use computers in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our employees, suppliers and our residents. Such uses give rise to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including residents' and suppliers' personal information, private information about employees, and financial and strategic information about us. Further, as we pursue our strategy to grow through development and acquisitions and to pursue new initiatives to improve our operations, we are also expanding our information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with our operations, we may become increasingly vulnerable to such risks. Additionally, the measures we have implemented to prevent security breaches and cyber incidents may not be effective. The theft, destruction, loss, misappropriation or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third-parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of residents, potential liability and competitive disadvantage, any of which could result in a material adverse effect on financial condition or results of operations.

#### Risks Related to Our Organization and Structure

Our stock price will fluctuate.

The market price and volume of our common stock will fluctuate due not only to general stock market conditions but also to the risk factors discussed above and below and the following:

- operating results that vary from the expectations of securities analysts and investors;
- investor interest in our property portfolio;
- the reputation and performance of REITs;
- the attractiveness of REITs as compared to other investment vehicles;
- our financial condition and the results of our operations;
- the perception of our growth and earnings potential;
- dividend payment rates and the form of the payment;
- increases in market rates, which may lead purchasers of our common stock to demand a higher yield; and
- changes in financial markets and national economic and general market conditions.

To qualify as a REIT, we may be forced to limit the activities of a TRS.

To qualify as a REIT, no more than 25% of the value of our total assets may consist of the securities of one or more taxable REIT subsidiaries, or TRSs. Certain of our activities, such as our third-party development, management and leasing services, must be conducted through a TRS for us to qualify as a REIT. In addition, certain non-customary services must be provided by a TRS or an independent contractor. If the revenues from such activities create a risk that the value of our TRS entities, based on revenues or otherwise, approaches the 25% threshold, we will be forced to curtail such activities or take other steps to remain under the 25% threshold. Since the 25% threshold is based on value, it is possible that the IRS could successfully contend that the value of our TRS entities exceeds the 25% threshold even if the TRS accounts for less than 25% of our consolidated revenues, income or cash flow. Four of our five on-campus participating properties and our third-party services are held by a TRS. Consequently, income earned from four of our five on-campus participating properties and our third-party services will be subject to regular federal income taxation and state and local income taxation where applicable, thus reducing the amount of cash available for distribution to our security holders.

A TRS is not permitted to directly or indirectly operate or manage a “hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis.” We believe that our method of operating our TRS entities will not be considered to constitute such an activity. Future Treasury Regulations or other guidance interpreting the applicable provisions might adopt a different approach, or the IRS might disagree with our conclusion. In such event we might be forced to change our method of operating our TRS entities, which could adversely affect us, or of one of our TRS entities could fail to qualify as a taxable REIT subsidiary, which would likely cause us to fail to qualify as a REIT.

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our securities.

We intend to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Internal Revenue Code. If we lose our REIT status, we will face serious tax consequences that would substantially reduce or eliminate the funds available for investment and for distribution to security holders for each of the years involved, because:

- we would not be allowed a deduction for dividends to security holders in computing our taxable income and such amounts would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to pay dividends to stockholders, and all dividends to stockholders will be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Internal Revenue Code is greater in the case of a REIT that, like us, holds its assets through a partnership or a limited liability company. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets and two “gross income tests”: (a) at least 75% of our gross income in any year must be derived from qualified sources, such as rents from real property, mortgage interest, dividends from other REITs and gains from sale of such assets, and (b) at least 95% of our gross income must be derived from sources meeting the 75% income test above, and other passive investment sources, such as other interest and dividends and gains from sale of securities. Also, we must pay dividends to stockholders aggregating annually at least 90% of our REIT taxable income, excluding any net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer or if a TRS enters into agreements with us or our tenants on a basis that is determined to be other than an arm’s length basis.

To qualify as a REIT, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

In order to qualify as a REIT, we are required under the Internal Revenue Code to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. A TRS may, in its discretion, retain any income it generates net of any tax liability it incurs on that income without affecting the 90% distribution requirements to which we are subject as a REIT. Net income of our TRS entities is included in REIT taxable income and increases the amount required to be distributed, only if such amounts are paid out as a dividend by a TRS. If a TRS distributes any of its after-tax income to us, that distribution will be included in our REIT taxable income. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we will be compelled to rely on third-party sources to fund our

capital needs. We may not be able to obtain this financing on favorable terms or at all. Any additional indebtedness that we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- our current debt levels and the number of properties subject to encumbrances;
- our current performance and the market's perception of our growth potential;
- our cash flow and cash dividends; and
- the market price per share of our stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or make cash distributions to our security holders, including those necessary to qualify as a REIT.

Our charter contains restrictions on the ownership and transfer of our stock.

Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our common stock or more than 9.8% by value of all our outstanding shares, including both common and preferred stock. We refer to this restriction as the “ownership limit.” A person or entity that becomes subject to the ownership limit by virtue of a violative transfer that results in a transfer to a trust is referred to as a “purported beneficial transferee” if, had the violative transfer been effective, the person or entity would have been a record owner and beneficial owner or solely a beneficial owner of our stock, or is referred to as a “purported record transferee” if, had the violative transfer been effective, the person or entity would have been solely a record owner of our stock.

The constructive ownership rules under the Internal Revenue Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our stock (or the acquisition of an interest in an entity that owns, actually or constructively, our stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding stock and thereby subject the stock to the ownership limit. Our charter, however, requires exceptions to be made to this limitation if our board of directors determines that such exceptions will not jeopardize our tax status as a REIT. This ownership limit could delay, defer or prevent a change of control or other transaction that might involve a premium price for our common stock or otherwise be in the best interest of our security holders.

Certain tax and anti-takeover provisions of our charter and bylaws may inhibit a change of our control.

Certain provisions contained in our charter and bylaws and the Maryland General Corporation Law may discourage a third-party from making a tender offer or acquisition proposal to us. If this were to happen, it could delay, deter or prevent a change in control or the removal of existing management. These provisions also may delay or prevent the security holders from receiving a premium for their securities over then-prevailing market prices. These provisions include:

- the REIT ownership limit described above;
- authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by our board of directors;
- the right of our board of directors, without a stockholder vote, to increase our authorized shares and classify or reclassify unissued shares;
- advance-notice requirements for stockholder nomination of directors and for other proposals to be presented to stockholder meetings; and
- the requirement that a majority vote of the holders of common stock is needed to remove a member of our board of directors for “cause.”

The Maryland business statutes also impose potential restrictions on a change of control of our company.

Various Maryland laws may have the effect of discouraging offers to acquire us, even if the acquisition would be advantageous to security holders. Our bylaws exempt us from some of those laws, such as the control share acquisition provisions, but our board of directors can change our bylaws at any time to make these provisions applicable to us.

Our rights and the rights of our security holders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believe to be in our best interests and with the care that an ordinary prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our security holders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

Item 1B. Unresolved Staff Comments

There were no unresolved comments from the staff of the SEC at December 31, 2013.

## Item 2. Properties

The following table presents certain summary information about our properties. Our properties generally are modern facilities, and amenities at most of our properties include a swimming pool, basketball courts and a large community center featuring a fitness center, computer center, study areas, and a recreation room with billiards and other games. Some properties also have a jacuzzi/hot tub, volleyball courts, tennis courts, in-unit washers and dryers, and food service facilities. Lease terms are generally 12 months at wholly-owned properties and 9 months at our on-campus participating properties.

These properties are included in the Wholly-Owned Properties and On-Campus Participating Properties segments discussed in Item 1 and Note 18 in the accompanying Notes to Consolidated Financial Statements contained in Item 8. We own fee title to all of these properties except for properties subject to ground/facility leases and our on-campus participating properties, as discussed more fully in Note 8 and Note 16 in the accompanying Notes to Consolidated Financial Statements contained in Item 8. All dollar amounts in this table and others herein, except share and per share amounts, are stated in thousands unless otherwise indicated.

Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2013 Revenue	Average Monthly Revenue/Bed <sup>(1)</sup>	2013 Average as of Occupancy	Occupancy as of 12/31/13	# of Buildings	# of Units
<b>WHOLLY-OWNED PROPERTIES</b>										
The Callaway House	1999	Mar-01	Texas A&M University	9	\$8,375 <sup>(3)</sup>	\$1,336 <sup>(3)</sup>	103.8%	103.5%	1	173
The Village at Alafaya Club	1999	Jul-00	The University of Central Florida	12	6,210	592	98.8 %	97.1 %	20	228
The Village at Science Drive	2000	Nov-01	The University of Central Florida	12	5,523	613	98.6 %	98.6 %	17	192
University Village at Boulder Creek	2002	Aug-02	The University of Colorado at Boulder	12	3,195	824	98.7 %	98.7 %	4	82
University Village - Fresno	2004	Aug-04	California State University - Fresno	12	2,700	516	94.8 %	91.4 %	9	105
University Village - Temple	2004	Aug-04	Temple University	12	6,066	670	90.9 %	96.5 %	3	220
University Village at Sweethome	2005	Aug-05	State University of New York at Buffalo	12	6,638	647	99.4 %	99.6 %	11	269
University Club Townhomes <sup>(4)</sup>	2000/ 2002	Feb-05	Florida State University	12	5,022	488	96.5 %	97.1 %	27	216
College Club Townhomes <sup>(4)</sup>	2001	Feb-05	Florida A&M University	12	3,114	396	91.4 %	85.8 %	12	136
University Club Apartments	1999	Feb-05	University of Florida	12	2,209	479	98.2 %	94.4 %	9	94
The Estates	2002	Mar-05		12	7,053	550	98.7 %	96.7 %	20	396

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City Parc at Fry Street	2004	Mar-05	University of Florida	12	3,108	603	98.0 %	97.6 %	8	136
Entrada Real	2000	Mar-06	University of North Texas	12	2,359	556	86.3 %	87.1 %	8	98
University Village - Tallahassee <sup>(5)</sup>	1990/91/92	Mar-06	University of Arizona	12	4,375	485	99.4 %	99.4 %	12	217
Royal Village - Gainesville	1996	Mar-06	Florida State University	12	2,861	517	98.0 %	97.8 %	8	118
Royal Lexington	1994	Mar-06	University of Florida	12	1,800	525	98.5 %	100.0%	4	94
The Woods at Greenland	2001	Mar-06	The University of Kentucky	12	1,411	413	96.5 %	97.8 %	3	78
Raider's Crossing	2002	Mar-06	Middle Tennessee State University	12	1,471	433	96.8 %	98.6 %	4	96
Raiders Pass	2002/03	Mar-06	Tennessee State University	12	4,359	457	89.9 %	94.9 %	12	264
Aggie Station	2003	Mar-06	Texas Tech University	12	3,021	549	99.9 %	99.6 %	5	156
The Outpost - San Marcos	2003/04	Mar-06	Texas A&M University	12	3,153	527	99.2 %	99.2 %	5	162



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Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2013 Revenue	Average Monthly Revenue/Bed <sup>(1)</sup>	2013 Average Occupancy	Occupancy as of 2/31/13	# of Buildings	# of Units	# of Beds
The Outpost - San Antonio	2005	Mar-06	University of Texas – San Antonio	12	\$5,133	\$550	89.7 %	89.9 %	10	276	828
Callaway Villas	2006	Aug-06	Texas A&M University	9/12	6,262	757	91.5 %	99.6 %	20	236	704
The Village on Sixth Avenue	2000/06	Jan-07	Marshall University	12	4,211	465	96.0 %	95.1 %	14	248	752
Newtown Crossing	2005/07	Feb-07	University of Kentucky	12	6,716	580	99.2 %	99.3 %	7	356	942
Olde Towne University Square	2005	Feb-07	University of Toledo	12	4,074	594	99.8 %	100.0 %	4	224	550
Peninsular Place	2005	Feb-07	Eastern Michigan University	12	2,930	477	98.8 %	98.7 %	2	183	478
University Centre	2007	Aug-07	Rutgers University, NJIT	9/12	7,076	824	80.4 %	87.9 %	2	234	838
Sunnyside Commons	1925/ 2001	Feb-08	West Virginia University	12	940	456	100.4 %	99.4 %	9	68	161
Pirates Place Townhomes	1996	Feb-08	East Carolina University	12	2,338	362	93.0 %	93.6 %	12	144	528
The Highlands	2004	June-08	University of Nevada at Reno	12	4,168	460	99.1 %	99.9 %	17	216	732
The Summit & Jacob Heights <sup>(5)</sup>	2003- 2006	June-08	Minnesota State University	12	5,431	469	98.0 %	95.1 %	34	258	930
GrandMarc Seven Corners	2000	June-08	University of Minnesota	12	4,650	643	122.5 %	120.2 %	1	186	440
University Village – Sacramento	1979	June-08	California State University - Sacramento	12	2,970	578	104.6 %	103.6 %	41	250	394
Aztec Corner	1995	June-08	San Diego State University	12	4,799	638	98.2 %	98.2 %	3	180	606
University Crossings	1926/ 2003	June-08	Drexel University	12	9,284	635	99.4 %	99.4 %	1	260	1,016
Campus Corner	1997	June-08	Indiana University	12	4,813	487	97.8 %	98.0 %	23	254	796
Tower at Third	1973	June-08		12	3,375	704	98.7 %	98.7 %	1	188	375

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University Manor	2002	June-08	University of Illinois East Carolina	12	2,904	392	97.2 %	96.8 %	18	168	600
Lakeside Apartments	1991	June-08	University of Georgia	12	3,621	367	94.4 %	92.7 %	20	244	776
The Club	1989	June-08	University of Georgia	12	2,097	345	97.3 %	97.7 %	17	120	480
The Edge -Orlando	1999	June-08	The University of Central Florida	12	6,997	605	99.1 %	98.1 %	21	306	930
University Place	2003	June-08	University of Virginia James	12	2,436	395	92.9 %	96.0 %	12	144	528
South View	1998	June-08	Madison University James	12	5,215	459	96.1 %	93.9 %	21	240	960
Stone Gate	2000	June-08	Madison University James	12	3,692	459	97.7 %	99.0 %	15	168	672
The Commons	1991	June-08	Madison University Middle	12	2,127	361	88.2 %	83.7 %	11	132	528
University Gables	2001	June-08	Tennessee State University Bowling	12	2,982	372	97.1 %	97.2 %	15	168	648
The Enclave	2002	June-08	Green State University Miami	12	1,764	294	98.4 %	99.2 %	11	120	480
Hawks Landing (6)	1994	June-08	University of Ohio	12	2,488	424	98.7 %	98.8 %	13	122	484
Willowtree Apartments and Towers(4)	1968/1974	June-08	University of Michigan	12	5,232	498	99.5 %	99.5 %	16	473	851
Abbott Place	1999	June-08	Michigan State University Western	12	3,813	474	98.4 %	97.7 %	9	222	654
The Centre	2004	June-08	Michigan University Central	12	3,502	402	98.7 %	98.6 %	23	232	700
University Meadows	2001	June-08	Michigan University	12	3,025	416	94.4 %	97.2 %	23	184	616
Campus Way	1993	June-08	University of Alabama	12	3,827	459	97.1 %	94.4 %	9	194	680
University Pointe	2004	June-08	Texas Tech University	12	4,551	554	95.5 %	92.2 %	11	204	682
University Trails	2003	June-08		12	4,462	536	96.3 %	94.6 %	20	240	684

Vista del Sol - ACE	2008	Aug-08	Texas Tech University Arizona State University	12	16,249	681	96.4 %	94.8 %	12	613	1,866
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Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2013 Revenue	Average Monthly 2013 Revenue <sup>(1)</sup>	Occupancy Average as of 12/31/13	# of Buildings	# of Units	# of Beds	
Villas at Chestnut Ridge	2008	Aug-08	State University of New York at Buffalo	12	\$4,761	\$704	98.8 %	99.3 %	12	196	552
Barrett Honors College – ACE	2009	Aug-09	Arizona State University	9	13,184	832	96.2 %	97.7 %	7	604	1,721
University Heights - Birmingham	2001	Mar-10	University of Alabama at Birmingham	12	2,976	434	99.3 %	99.2 %	8	176	528
Sanctuary Lofts	2008	July-10	Texas State University	12	4,066	641	98.0 %	97.7 %	4	201	487
Lions Crossing	1996	Sep-10	Penn State University	12	4,976	525	99.3 %	99.1 %	17	204	696
Nittany Crossing	1996/97	Sep-10	Penn State University	12	4,681	524	99.1 %	99.0 %	11	204	684
The View	2003	Sep-10	University of Nebraska	12	2,706	359	99.9 %	99.8 %	12	157	590
Chapel Ridge	2003	Sep-10	UNC – Chapel Hill	12	4,064	618	97.8 %	97.2 %	13	180	544
Chapel View	1986/2003	Sep-10	UNC – Chapel Hill	12	2,870	655	98.2 %	97.2 %	14	224	358
University Oaks	2004	Sep-10	University of South Carolina Valdosta	12	4,323	516	99.1 %	99.1 %	14	181	662
Blanton Common	2005/07	Sep-10	State University Louisiana	12	4,189	409	89.7 %	94.9 %	21	276	860
Burbank Commons	1995	Sep-10	State University Louisiana	12	2,868	429	97.5 %	98.7 %	7	134	532
University Crescent	1999	Sep-10	State University Louisiana	12	4,198	550	98.1 %	98.7 %	15	192	612
University Greens	1999	Sep-10	University of Oklahoma	12	2,716	425	97.8 %	98.6 %	13	156	516
The Edge – Charlotte	2000	Nov-10	University of North Carolina at Charlotte	12	4,331	476	99.4 %	99.4 %	15	180	720
University Walk	2002	Nov-10	University of North Carolina at Charlotte	12	2,995	499	99.0 %	99.2 %	12	120	480

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Uptown Apartments	2004	Nov-10	University of North Texas	12	3,874	596	97.1 %	96.2 %	12	180	528
2nd Ave Centre	2008	Dec-10	University of Florida	12	5,961	560	99.3 %	99.5 %	7	274	868
Campus Trails	1991	June-08	Mississippi State University	12	2,446	415	98.4 %	98.5 %	14	156	480
Villas at Babcock	2011	Aug-11	University of Texas – San Antonio	12	5,339	559	95.3 %	92.4 %	16	204	792
Lobo Village - ACE	2011	Aug-11	University of New Mexico	12	5,466	517	95.1 %	91.6 %	20	216	864
Villas on Sycamore	2011	Aug-11	Sam Houston State University	12	4,227	472	97.7 %	98.7 %	88	170	680
University Village Northwest - ACE	2011	Aug-11	Prairie View A&M University	9	838	633	99.9 %	100.0 %	2	36	144
Eagles Trail	2007	Sep-11	Univ. of Southern Mississippi	12	4,352	427	97.9 %	99.0 %	16	216	792
26 West	2008	Dec-11	University of Texas - Austin	12	10,914	780	99.5 %	99.4 %	3	367	1,026
The Varsity	2011	Dec-11	University of Maryland	12	12,011	953	98.2 %	99.3 %	1	258	901
Subtotal - Same Store Wholly Owned Properties (7)					\$369,509	\$548	97.0 %	97.1 %	1,074	17,047	54,232
2012 Acquisitions and Completed Development Projects											
University Heights - Knoxville	1999	Jan-12	University of Tennessee	12	3,291	436	93.2 %	98.7 %	8	204	636
Avalon Heights	2002	May-12	University of South Florida in Tampa	12	4,871	510	99.8 %	100.0 %	4	210	754
University Commons	2003	June-12	University of Minnesota in Minneapolis	12	4,294	612	112.6 %	115.6 %	4	164	480
University Pointe at College Station – ACE	2012	Sep-12	Portland State University	12	7,751	641	92.4 %	98.8 %	1	282	978
Casas del Rio – ACE	2012	Aug-12	University of New Mexico	10	5,543	579	96.7 %	94.3 %	4	283	1,028
The Suites – ACE	2012	Aug-12	Northern Arizona University	10	3,319	637	98.9 %	99.6 %	2	275	550

Hilltop Townhomes - ACE	2012	Aug-12	Northern Arizona University	12	4,414	601	99.1 %	99.3 %	10	144	576
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Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2013 Revenue	Average Monthly Revenue/Bed (1)	2013 Average Occupancy	Occupancy as of 2/31/13	# of Buildings	# of Units	# of Beds
U Club on Frey Campus	2012	Aug-12	Kennesaw State University	12	\$3,297	\$585	98.9 %	98.9 %	7	114	456
Edge on UTA Boulevard	2012	Aug-12	University of Texas - Arlington	12	3,654	595	99.7 %	99.6 %	1	128	488
U Club Townhomes on Marion Pugh	2012	Aug-12	Texas A&M University	12	4,626	585	99.3 %	99.4 %	40	160	640
Villas on Rensch	2012	Aug-12	State University of New York at Buffalo	12	5,235	708	98.8 %	98.7 %	39	153	610
The Village at Overton Park	2012	Aug-12	Texas Tech University	12	4,609	615	96.0 %	93.3 %	2	163	612
Casa de Oro - ACE	2012	Aug-12	Arizona State University	12	1,198	629	55.6 %	58.9 %	1	109	365
The Villas at Vista del Sol - ACE	2012	Aug-12	Arizona State University	12	3,571	690	99.7 %	99.5 %	12	104	400
University Edge	2012	Dec-12	Kent State University	12	3,972	559	93.2 %	99.3 %	3	201	608
The Block	2007/2008	Aug-12	The University of Texas at Austin	12	17,245	829	96.8 %	94.7 %	8	669	1,555
309 Green	2008	Sept-12	University of Illinois	12	3,899	784	89.9 %	96.2 %	1	110	416
The Retreat	2012	Sept-12	Texas State University	12	5,455	572	95.8 %	92.1 %	140	187	780
Lofts 54	2008	Sept-12	University of Illinois	12	1,369	641	90.9 %	100.0 %	1	43	172
Campustown Rentals	1920-1987	Sept-12	University of Illinois	12	4,092	485	82.9 %	74.5 %	22	280	766
Chauncey Square	2007/2012	Sept-12	Purdue University	12	3,998	776	98.3 %	99.0 %	2	158	386
Vintage West Campus	2009	Sept-12	The University of Texas at Austin	12	1,451	918	96.3 %	98.3 %	1	62	121
Texan West Campus	2005	Sept-12	The University of Texas at Austin	12	1,895	724	99.3 %	100.0 %	1	62	190
The Castilian	1967	Sept-12	The University of Texas at	9	6,263 (3)	1,111(3)	85.3 %	71.9 %	1	371	623

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Bishops Square	2002	Sept-12	Austin Texas State University	12	2,108	546	91.0 %	97.8 %	13	134	315
Union	2007	Sept-12	Baylor University	12	826	561	97.5 %	98.3 %	1	54	120
922 Place	2009	Sept-12	Arizona State University	12	3,147	622	77.8 %	96.4 %	2	132	468
Campustown	1910-2004	Sept-12	Iowa State University	12	8,064	485	98.0 %	99.7 %	34	452	1,217
River Mill	1972	Sept-12	University of Georgia	12	2,577	508	88.1 %	97.0 %	5	243	461
Garnet River Walk	2006	Sept-12	University of South Carolina	12	3,495	580	97.9 %	98.5 %	11	170	476
Landmark	2012	Sept-12	University of Michigan	12	8,423	1,027	97.8 %	98.8 %	1	173	606
Icon Plaza	2012	Sept-12	University of Southern California	12	4,370	1,243	98.6 %	92.1 %	1	56	253
The Province – Greensboro	2011	Nov-12	University of North Carolina at Greensboro	12	4,492	563	90.7 %	88.8 %	17	219	696
RAMZ Apts on Broad	2004	Nov-12	Virginia Commonwealth University	12	1,904	684	91.9 %	97.1 %	1	88	172
The Lofts of Capital Garage	2000	Nov-12	Virginia Commonwealth University	12	721	425	89.9 %	97.9 %	1	36	144
Forest Village and Woodlake	1982/1983	Nov-12	University of Missouri	12	2,585	290	98.6 %	98.9 %	14	352	704
25Twenty	2011	Nov-12	Texas Tech University	12	4,433	676	93.0 %	95.9 %	1	249	562
The Province - Louisville	2009	Nov-12	University of Louisville	12	6,384	615	97.0 %	99.2 %	9	366	858
West 27th Place	2011	Nov-12	University of Southern California	12	6,462	953	103.5 %	103.6 %	1	161	475
The Province - Rochester	2010	Nov-12	Rochester Institute of Technology	12	7,529	747	99.6 %	100.4 %	13	336	816



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Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2013 Revenue	Average Monthly Revenue/Bed (1)	2013 Average Occupancy	Occupancy as of 3/31/13	# of Buildings	# of Units
5 Twenty Four & 5 Twenty Five Angliana (4)	2009/2012	Nov-12	University of Kentucky	12	\$6,928	\$566	91.5 %	96.3 %	11	376
The Province -Tampa	2009	Nov-12	University of South Florida	12	6,669	591	95.3 %	99.8 %	19	287
U Pointe Kennesaw	2012	Nov-12	Kennesaw State University	12	5,178	580	86.8 %	89.3 %	5	216
The Cottages of Columbia	2008	Nov-12	University of Missouri	12	3,750	532	97.2 %	98.1 %	84	145
Grindstone Canyon	2003	Nov-12	University of Missouri	12	2,798	512	99.2 %	98.2 %	8	201
The Cottages of Durham	2012	Nov-12	University of New Hampshire	12	5,259	662	98.3 %	97.4 %	96	141
The Province – Dayton	2009	Nov-12	Wright State University	12	4,178	509	91.3 %	93.3 %	13	200
The Cottages of Baton Rouge	2011	Nov-12	Louisiana State University	12	10,808	632	98.5 %	97.9 %	187	382
U Club Cottages	2011	Nov-12	Louisiana State University	12	2,536	651	99.9 %	99.0 %	61	105
2013 Acquisitions (8)										
The Lodges of East Lansing (9)	2011/2013	Nov-12	Michigan State University	12	6,570	651	97.3 %	94.0 %	6	364
7th Street Station	2012	Jul-13	Oregon State University	12	985	527	100.0%	100.0%	16	82
Park Point	2008	Oct-13	Rochester Institute of Technology	12	2,542	762	102.4%	102.4%	31	300
U Centre at Fry Street	2012	Nov-13	University of North Texas	12	1,013	700	99.2 %	99.2 %	2	194
Cardinal Towne	2010/2011	Nov-13	University of Louisville	12	650	1,022	98.7 %	98.7 %	5	255
Recently Completed Development Projects (10)										
U Club on Woodward	2013	Aug-13	Florida State University	12	1,318	611	99.1 %	99.1 %	8	112

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The Callaway House Austin & The Penthouse at Callaway	2013	Aug-13	The University of Texas at Austin	10	4,777	(3) 1,249(3)	99.5 %	99.5 %	1	219
Manzanita - ACE	2013	Aug-13	Arizona State University	10	2,936	804	96.7 %	96.7 %	1	241
University View - ACE	2013	Aug-13	Prairie View A&M University	9	962	622	99.9 %	100.0 %	2	96
U Club Townhomes at Overton Park	2013	Aug-13	Texas Tech University	12	1,282	656	92.3 %	92.4 %	16	112
601 Copeland	2013	Aug-13	Florida State University	12	860	614	99.3 %	99.3 %	2	81
The Townhomes at Newtown Crossing	2013	Sept-13	University of Kentucky	12	1,357	415	99.0 %	98.7 %	13	152
Chestnut Square - ACE	2013	Sept-13	Drexel University	12	3,120	899	99.5 %	99.5 %	1	220
Projects Under Development or Redevelopment										
Stanworth Commons Phase I - ACE	2014	Jul-14	Princeton University	12	—	n/a	n/a	n/a	11	127
Plaza on University	2014	Aug-14	University of Central Florida	12	103	n/a	n/a	n/a	5	364
U Club on Frey Phase II	2014	Aug-14	Kennesaw State University	12	—	n/a	n/a	n/a	5	102
The Suites Phase II - ACE	2014	Aug-14	Northern Arizona University	10	—	n/a	n/a	n/a	2	164
U Centre at Northgate - ACE	2014	Aug-14	Texas A&M University	12	24	n/a	n/a	n/a	11	196
University Walk (11)	2014	Aug-14	University of Tennessee	12	28	n/a	n/a	n/a	3	177
The Plaza Apartments (12)	1971/1998/2011	Aug-15	Florida State University	12	601	513	68.6 %	77.7 %	17	289
Lancaster Project - ACE	2015	Sept-15	Drexel University	12	—	n/a	n/a	n/a	1	351
Eugene, OR Development	2015	Sept-15	University of Oregon	12	32	n/a	n/a	n/a	2	192
Subtotal – New Wholly-Owned Properties					\$254,096	\$639	95.5 %	96.3 %	1,085	14,3
Total – Wholly-Owned Properties					\$623,605	\$581	96.5 %	96.8 %	2,159	31,3



Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2013 Revenue	Average Monthly 2013 Revenue per Bed (1)	Average Occupancy % 12/31/13	Occupancy % 3/31/13	# of Buildings	# of Units	# of Beds
<b>ON-CAMPUS PARTICIPATING PROPERTIES</b>											
University Village – PVAMU	1996/97/98	Aug-96 Aug-98	Prairie View A&M University	9	\$10,387	\$566	98.0 %	97.3 %	30	612	1,920
University College – PVAMU	2000/2003	Aug-00 Aug-03	Prairie View A&M University	9	7,422	551	94.7 %	96.7 %	14	756	1,470
University Village – TAMIU	1997	Aug-97	Texas A&M International University	9	1,382	833	94.1 %	85.2 %	4	84	250
Cullen Oaks	2001/2005	Aug-01 Aug-05	The University of Houston	9	7,157	833	98.7 %	98.5 %	4	411	879
West Virginia University Project (13)	2014	Aug-14	West Virginia University	12	—	n/a	n/a	n/a	11	224	567
Total - On-Campus Participating Properties					\$26,348	\$629	96.8 %	96.7 %	63	2,087	5,086
Grand Total- All Properties					\$649,953	\$583	96.5 %	96.8 %	2,222	33,434	102,400

(1) Average monthly revenue per bed is calculated based upon our base rental revenue earned during typical lease terms for the year ended December 31, 2013 divided by average occupied beds over the typical lease term.

(2) Average occupancy is calculated based on the average number of occupied beds during typical lease terms for the year ended December 31, 2013 divided by total beds. For on-campus participating properties, average occupancy is calculated based on the nine month academic year (excluding the summer months). Average occupancy for acquired properties and properties which commenced operations during 2013 is calculated based on the period these properties were operational during 2013.

(3) As rent at this property includes food services, revenue is not comparable to the other properties in this table.

(4) University Club Townhomes, College Club Townhomes, Willowtree Apartments and Towers, and 5 Twenty Four & 5 Twenty Five Angliana each consist of two phases that are counted separately in the property portfolio numbers contained in Note 1 in the accompanying Notes to Consolidated Financial Statements contained in Item 8.

(5) University Village Tallahassee and Jacob Heights/The Summit each consist of 3 phases that are counted separately in the property portfolio numbers contained in Note 1 in the accompanying Notes to Consolidated Financial Statements contained in Item 8.

(6) This property is classified as Held for Sale as of December 31, 2013 and is included in discontinued operations on the accompanying consolidated statements of comprehensive income contained in Item 8.

- (7) Our same store wholly-owned portfolio represents properties that were owned or operated by us for the full years ended December 31, 2012 and 2013.
- (8) These properties were acquired in 2013. Average occupancy is calculated based on the period these properties were owned and operated by us in 2013.
- (9) In July 2013, we purchased a 366-bed additional phase at this property. Average occupancy is calculated based on the period the additional phase was operational during 2013.
- (10) These properties commenced operations in 2013. Average occupancy is calculated based on the period these properties were operational during 2013.
- (11) We did not own this property as of December 31, 2013 but are obligated to purchase the property as long as the developer meets certain construction completion deadlines and other closing conditions.
- (12) This property was acquired in August 2013. The Company is currently vacating tenants from this property in preparation for redevelopment activities expected to commence during 2014.
- (13) This property is currently under development with a scheduled completion date of August 2014.

## Item 3. Legal Proceedings

We are subject to various claims, lawsuits and legal proceedings that have not been fully resolved and that have arisen in the ordinary course of business. While it is not possible to ascertain the ultimate outcome of such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on our consolidated financial position or results of operations. However, the outcome of claims, lawsuits and legal proceedings brought against us are subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, the ultimate results of these matters cannot be predicted with certainty.

## Item 4. Mine Safety Disclosures

Not applicable.

## PART II

## Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

## Market Information

The Company's common stock has been listed and is traded on the New York Stock Exchange ("NYSE") under the symbol "ACC". The following table sets forth, for the periods indicated, the high and low sale prices in dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

	High	Low	Distributions Declared
Quarter ended March 31, 2012	\$44.88	\$40.10	\$0.3375
Quarter ended June 30, 2012	\$45.89	\$42.19	\$0.3375
Quarter ended September 30, 2012	\$48.10	\$43.20	\$0.3375
Quarter ended December 31, 2012	\$47.13	\$42.44	\$0.3375
Quarter ended March 31, 2013	\$48.49	\$44.10	\$0.3375
Quarter ended June 30, 2013	\$47.64	\$36.60	\$0.3600
Quarter ended September 30, 2013	\$42.78	\$32.34	\$0.3600
Quarter ended December 31, 2013	\$36.92	\$31.64	\$0.3600

## Holders

As of February 19, 2014, there were approximately 33,000 holders of record of the Company's common stock and 104,782,817 shares of common stock outstanding.

## Distributions

We intend to continue to declare quarterly distributions on our common stock. The actual amount, timing and form of payment of distributions, however, will be at the discretion of our Board of Directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts, timing or form of payment of future distributions. The payment of distributions is subject to restrictions under the Company's corporate-level debt described in Note 11 to the Consolidated Financial Statements in Item 8 and discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 under Liquidity and Capital Resources.

See Part III, Item 12, for a description of securities authorized for issuance under equity compensation plans.

## Item 6. Selected Financial Data

The following table sets forth selected financial and operating data on a consolidated historical basis for the Company.

The following data should be read in conjunction with the Notes to Consolidated Financial Statements in Item 8 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7.

	As of and for the Year Ended December 31,				
	2013	2012	2011	2010	2009
<b>Statements of Operations Information:</b>					
Revenues	\$657,462	\$465,655	\$361,910	\$305,234	\$268,317
Income (loss) from continuing operations	47,436	48,789	34,011	17,612	(1,914 )
Discontinued operations:					
Income (loss) attributable to discontinued operations	4,824	8,728	9,155	3,191	(1,188 )
Loss from early extinguishment of debt	(332 )	(1,591 )	—	—	—
Gain (loss) from disposition of real estate	55,263	4,312	14,806	(3,705 )	(9,358 )
Net income (loss)	107,191	60,238	57,972	17,098	(12,460 )
Net income attributable to noncontrolling interests	(2,547 )	(3,602 )	(1,343 )	(888 )	(380 )
Net income (loss) attributable to common shareholders	104,644	56,636	56,629	16,210	(12,840 )
<b>Per Share and Distribution Data:</b>					
Earnings per diluted share:					
Income (loss) from continuing operations	\$0.42	\$0.52	\$0.46	\$0.27	\$(0.07 )
Discontinued operations	0.56	0.13	0.34	(0.01 )	(0.21 )
Net income (loss)	0.98	0.65	0.80	0.26	(0.28 )
Cash distributions declared per share / unit	1.42	1.35	1.35	1.35	1.35
Cash distributions declared	149,461	117,592	93,813	76,579	64,492
<b>Balance Sheet Data:</b>					
Total assets	\$5,598,040	\$5,118,962	\$3,008,582	\$2,693,484	\$2,234,981
Secured mortgage, construction and bond debt	1,507,216	1,509,105	858,530	1,144,103	1,029,455
Term loans and revolving credit facilities	838,450	712,000	589,000	201,000	194,000
Unsecured notes	398,721	—	—	—	—
Capital lease obligations	—	149	450	911	2,314
Stockholders' equity	2,624,901	2,648,381	1,375,216	1,213,962	899,030
<b>Selected Owned Property Information:</b>					
Owned properties	167	160	116	104	85
Units	33,434	31,854	22,947	20,820	17,008
Beds	102,400	98,840	71,801	64,933	52,118
Occupancy as of December 31,	96.8 %	95.7 %	97.8 %	98.0 %	96.2 %
Net cash provided by operating activities	\$246,678	\$195,131	\$126,744	\$115,949	\$80,443
Net cash used in investing activities	(509,999 )	(1,447,562 )	(423,584 )	(244,492 )	(123,528 )
Net cash provided by financing activities	280,618	1,251,486	205,732	175,957	83,578
<b>Funds From Operations ("FFO") (2):</b>					
Net income (loss) attributable to common shareholders	\$104,644	\$56,636	\$56,629	\$16,210	\$(12,840 )



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Noncontrolling interests	1,756	1,205	1,343	888	380
(Gain) loss from disposition of real estate	(55,263 )	(4,312 )	(14,806 )	3,705	9,358
(Income) loss from unconsolidated joint ventures	—	(444 )	641	2,023	2,073
FFO from unconsolidated joint ventures	—	429	(576 )	(1,195 )	246
Real estate related depreciation and amortization	185,640	114,841	87,951	75,667	75,814
Elimination of provision for asset impairment	—	—	1,105	5,450	464
Funds from operations	\$236,777	\$168,355	\$132,287	\$102,748	\$75,495

As defined by the National Association of Real Estate Investment Trusts or NAREIT, funds from operations or FFO represents income (loss) before allocation to minority interests (computed in accordance with GAAP),  
<sup>(1)</sup> excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures.  
 We present FFO

because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income.

We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital (2) replacement or expansion, debt service obligations or other commitments and uncertainties. FFO should not be considered as an alternative to net income or loss (computed in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay distributions.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Our Company and Our Business

#### Overview

We are one of the largest owners, managers and developers of high quality student housing properties in the United States in terms of beds owned and under management. We are a fully integrated, self-managed and self-administered equity REIT with expertise in the acquisition, design, financing, development, construction management, leasing and management of student housing properties. Refer to Item 1 contained herein for additional information regarding our business objectives, investment strategies, and operating segments.

#### Property Portfolio

As of December 31, 2013, our property portfolio contained 167 properties with approximately 102,400 beds in approximately 33,400 apartment units. Our property portfolio consisted of 144 owned off-campus student housing properties that are in close proximity to colleges and universities, 18 ACE properties operated under ground/facility leases with eight university systems and five on-campus participating properties operated under ground/facility leases with the related university systems. Of the 167 properties, nine were under development as of December 31, 2013, and when completed will consist of a total of approximately 6,200 beds in approximately 1,900 units. Our communities contain modern housing units and are supported by a resident assistant system and other student-oriented programming, with many offering resort-style amenities.

We believe that the ownership and operation of student housing communities in close proximity to selected colleges and universities presents an attractive long-term investment opportunity for our investors. We intend to continue to execute our strategy of identifying existing differentiated, typically highly amenitized, student housing communities or development opportunities in close proximity to university campuses with high barriers to entry which are projected to experience substantial increases in enrollment and/or are under-serviced in terms of existing on and/or off-campus student housing.

### Third-Party Development and Management Services

We provide development and construction management services for student housing properties owned by universities, 501(c) 3 foundations and others. Our clients have included some of the nation's most prominent systems of higher education. We develop student housing properties for these clients and we are sometimes retained to manage these properties following their opening. As of December 31, 2013, we were under contract on one third-party development project and one on-campus participating property that are currently in progress and whose fees range from \$2.4 million to \$3.2 million. As of December 31, 2013, fees of approximately \$2.2 million remained to be earned by us with respect to these projects, which both have scheduled completion dates of August 2014.

As of December 31, 2013, we also provided third-party management and leasing services for 36 properties that represented approximately 26,100 beds in approximately 10,600 units. Our third-party management and leasing services are typically provided pursuant to management contracts that have initial terms that range from one to five years.

While fee revenue from our third-party development, construction management and property management services allows us to develop strong and key relationships with colleges and universities, this area has over time become a smaller portion of our operations due to the continued focus on and growth of our wholly-owned property portfolio. Nevertheless, we believe these services continue to provide synergies with respect to our ability to identify, close, and successfully operate student housing properties.

### 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 consolidated and combined 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 consolidated financial statements, giving due consideration to materiality. It is possible that 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.

### Revenue and Cost Recognition of Third-Party Development and Management Services

Development revenues are generally recognized based on a proportional performance method based on contract deliverables, while construction revenues are recognized using the percentage of completion method, as determined by construction costs incurred relative to total estimated construction costs. For projects where our fee is based on a fixed price, any cost overruns incurred during construction, as compared to the original budget, will reduce the net fee generated on those projects. Incentive fees are generally recognized when the project is complete and performance has been agreed upon by all parties, or when performance has been verified by an independent third-party.

We also evaluate the collectability of fee income and expense reimbursements generated through the provision of development and construction management services based upon the individual facts and circumstances, including the contractual right to receive such amounts in accordance with the terms of the various projects, and reserve any amounts that are deemed to be uncollectible.

Pre-development expenditures such as architectural fees, permits and deposits associated with the pursuit of third-party and owned development projects are expensed as incurred, until such time that management believes it is probable that the contract will be executed and/or construction will commence. Because we frequently incur these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained, we bear the risk of loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or we are unable to successfully obtain the required permits and authorizations. As such, management evaluates the status of third-party and owned projects that have not yet commenced construction on a periodic basis and expenses any deferred costs related to projects whose current status indicates the commencement of construction is unlikely and/or the costs may not provide future value to us in the form of revenues. Such write-offs are included in third-party development and management services expenses (in the case of third-party development

projects) or general and administrative expenses (in the case of owned development projects) on the accompanying consolidated statements of comprehensive income.

Third-party management fees are generally received and recognized on a monthly basis and are computed as a percentage of property receipts, revenues or a fixed monthly amount, in accordance with the applicable management contract. Incentive management fees are recognized when the contractual criteria have been met.

#### Student Housing Rental Revenue Recognition and Accounts Receivable

Student housing rental revenue is recognized on a straight-line basis over the term of the contract. Ancillary and other property related income is recognized in the period earned. In estimating the collectability of our accounts receivable, we analyze the aging of resident receivables, historical bad debts, and current economic trends. These estimates have a direct impact on our net income, as an increase in our allowance for doubtful accounts reduces our net income.

### Allocation of Fair Value to Acquired Properties

The price that we pay to acquire a property is impacted by many factors, including the condition of the buildings and improvements, the occupancy of the building, favorable or unfavorable financing, and numerous other factors. Accordingly, we are required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the assets acquired and liabilities assumed based on our estimate of the fair values of such assets and liabilities. This includes, among other items, determining the value of the buildings and improvements, land, in-place tenant leases, tax incentive arrangements, and any debt assumed from the seller. Each of these estimates requires a great deal of judgment and some of the estimates involve complex calculations. Our calculation methodology is summarized in Note 2 to our consolidated financial statements contained in Item 8. These allocation assessments have a direct impact on our results of operations because if we were to allocate more value to land there would be no depreciation with respect to such amount or if we were to allocate more value to the buildings as opposed to allocating to the value of in-place tenant leases, this amount would be recognized as an expense over a much longer period of time, since the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to in-place tenant leases are amortized over the remaining terms of the leases (generally less than one year).

### Impairment of Long-Lived Assets

On a periodic basis, management is required to assess whether there are any indicators that the value of our real estate properties may be impaired. A property's value is considered impaired if management's estimate of the aggregate future undiscounted cash flows to be generated by the property are less than the carrying value of the property. These estimates of cash flows consider factors 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.

### Capital Expenditures

We distinguish between capital expenditures necessary for the ongoing operations of our properties and acquisition-related improvements incurred within one to two years of acquisition of the related property. (Acquisition-related improvements are expenditures that have been identified at the time the property is acquired, and which we intended to incur in order to position the property to be consistent with our physical standards). We capitalize non-recurring expenditures for additions and betterments to buildings and land improvements. In addition, we generally capitalize expenditures for exterior painting, roofing, and other major maintenance projects that substantially extend the useful life of the existing assets. The cost of ordinary repairs and maintenance that do not improve the value of an asset or extend its useful life are charged to expense when incurred. Planned major repair, maintenance and improvement projects are capitalized when performed. In some circumstances, lenders require us to maintain a reserve account for future repairs and capital expenditures. These amounts are classified as restricted cash on the accompanying consolidated balance sheets, as the funds are not available to us for current use.

For our properties under development, capitalized interest is generally based on the weighted average interest rate of our total debt. Upon substantial completion of the properties, cost capitalization ceases. The total capitalized development costs are then transferred to the applicable asset category and depreciation commences. These estimates used by management require judgment, and accordingly we believe cost capitalization to be a critical accounting estimate.



## Results of Operations

## Comparison of the Years Ended December 31, 2013 and 2012

The following table presents our results of operations for the years ended December 31, 2013 and 2012, including the amount and percentage change in these results between the two periods.

	Year Ended December 31,				
	2013	2012	Change (\$)	Change (%)	
<b>Revenues:</b>					
Wholly-owned properties	\$618,503	\$422,417	\$196,086	46.4	%
On-campus participating properties	26,348	26,166	182	0.7	%
Third-party development services	2,483	8,574	(6,091)	(71.0)	)%
Third-party management services	7,514	6,893	621	9.0	%
Resident services	2,614	1,605	1,009	62.9	%
Total revenues	657,462	465,655	191,807	41.2	%
<b>Operating expenses:</b>					
Wholly-owned properties	296,794	200,126	96,668	48.3	%
On-campus participating properties	11,049	11,073	(24)	(0.2)	)%
Third-party development and management services	10,810	10,898	(88)	(0.8)	)%
General and administrative	16,666	22,965	(6,299)	(27.4)	)%
Depreciation and amortization	184,988	110,499	74,489	67.4	%
Ground/facility leases	5,402	4,248	1,154	27.2	%
Total operating expenses	525,709	359,809	165,900	46.1	%
Operating income	131,753	105,846	25,907	24.5	%
<b>Nonoperating income and (expenses):</b>					
Interest income	3,005	1,756	1,249	71.1	%
Interest expense	(78,028)	(54,518)	(23,510)	43.1	%
Amortization of deferred financing costs	(5,608)	(4,425)	(1,183)	26.7	%
Income from unconsolidated joint ventures	—	444	(444)	(100.0)	)%
Other nonoperating (expense) income	(2,666)	411	(3,077)	(748.7)	)%
Total nonoperating expenses	(83,297)	(56,332)	(26,965)	47.9	%
Income before income taxes and discontinued operations	48,456	49,514	(1,058)	(2.1)	)%
Income tax provision	(1,020)	(725)	(295)	40.7	%
Income from continuing operations	47,436	48,789	(1,353)	(2.8)	)%
<b>Discontinued operations:</b>					
Income attributable to discontinued operations	4,824	8,728	(3,904)	(44.7)	)%
Loss from early extinguishment of debt	(332)	(1,591)	1,259	(79.1)	)%
Gain from disposition of real estate	55,263	4,312	50,951	1,181.6	%
Total discontinued operations	59,755	11,449	48,306	421.9	%
Net income	107,191	60,238	46,953	77.9	%
Net income attributable to noncontrolling interests	(2,547)	(3,602)	1,055	(29.3)	)%



Net income attributable to common shareholders	\$ 104,644	\$ 56,636	\$ 48,008	84.8	%
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#### Same Store and New Property Operations

We define our same store property portfolio as wholly-owned properties that were owned and/or operating for both of the entire periods being compared, and which are not conducting or planning to conduct substantial development or redevelopment activities or are classified as Held for Sale in accordance with generally accepted accounting principles.

Same store revenues are defined as revenues generated from our same store portfolio and consist of rental revenue earned from student leases as well as other income items such as utility income, damages, parking income, summer conference rent, application and administration fees, income from retail tenants, and income earned by one of our taxable REIT subsidiaries (“TRS”) from ancillary activities such as the provision of food services.

Same store operating expenses are defined as operating expenses generated from our same store portfolio and include usual and customary expenses incurred to operate a property such as payroll, maintenance, utilities, marketing, general and administrative costs, insurance, property taxes, and bad debt. Same store operating expenses also include an allocation of payroll and other administrative costs related to corporate management and oversight.

A reconciliation of our same store and new property operations to our consolidated statements of comprehensive income is set forth below:

	Same Store Properties <sup>(1)</sup>		New Properties <sup>(2)</sup>		Total - All Properties <sup>(1)</sup>	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012	2013	2012
Number of properties	89	89	64	51	153	140
Number of beds	53,748	53,748	37,459	29,778	91,207	83,526
Revenues <sup>(3)</sup>	\$367,021	\$361,081	\$254,096	\$62,941	\$621,117	\$424,022
Operating expenses	174,774	170,285	122,020	29,841	296,794	200,126

(1) Excludes one property classified as Held for Sale as of December 31, 2013 that is included in discontinued operations on the accompanying consolidated statements of comprehensive income.

(2) Does not include properties under construction as of December 31, 2013. Number of properties and number of beds also excludes properties undergoing redevelopment as of December 31, 2013, although the results of operations of those properties are included in revenues and operating expenses prior to commencement of redevelopment activities.

(3) Includes revenues which are reflected as resident services revenue on the accompanying consolidated statements of comprehensive income.

**Same Store Properties.** The increase in revenue from our same store properties was primarily due to an increase in average rental rates for the 2013/2014 and 2012/2013 academic years, offset by a slight decrease in average occupancy from 96.1% during the year ended December 31, 2012 to 96.0% during the year ended December 31, 2013. Future revenues will be dependent on our ability to maintain our current leases in effect for the 2013/2014 academic year and our ability to obtain appropriate rental rates and desired occupancy for the 2014/2015 academic year at our various properties during our leasing period, which typically begins in October and ends in August.

The increase in operating expenses for our same store properties was primarily due to an increase in marketing costs incurred to stimulate leasing velocity for the 2013/2014 academic year, an increase in property taxes related to 2011 owned development deliveries being assessed at full values at various points during 2012, as well as the expiration of a tax rebate agreement at one of our properties. We anticipate that operating expenses for our same store property portfolio for 2014 will increase slightly as compared with 2013 as a result of general inflation.

**New Property Operations.** Our new properties for the year ended December 31, 2013 consist of the following: (i) University Heights- Knoxville, acquired from one of our joint ventures with Fidelity (“Fund II”) in January 2012, (ii) Avalon Heights, acquired in May 2012, (iii) University Commons, acquired in June 2012, (iv) The Block, acquired in

August 2012, (v) The Retreat, acquired in September 2012, (vi) 11 owned development projects that opened for occupancy in August and September 2012 (vii) a 15-property student housing portfolio acquired in September 2012, (viii) a 19-property student housing portfolio acquired in November 2012, (ix) University Edge, a property previously subject to a pre-sale agreement that we acquired in December 2012, (x) 7th Street Station, acquired in July 2013, (xi) The Lodges of East Lansing Phase II, an additional phase at an existing property previously subject to a pre-sale agreement that we acquired in July 2013, (xii) The Plaza Apartments, acquired in August 2013, (xiii) Townhomes at Newtown Crossing, a property previously subject to a pre-sale agreement that we acquired in September 2013, (xiv) seven owned development projects that opened for occupancy in August and September 2013, (xv) Park Point, acquired in October 2013, and (xvi) U Centre at Fry Street and Cardinal Towne, both acquired in November 2013.

### On-Campus Participating Properties (“OCPP”) Operations

We had four participating properties containing 4,519 beds which were operating during both years ended December 31, 2013 and 2012 and one on-campus participating property that was under construction as of December 31, 2013. Revenues from our participating properties increased to \$26.4 million during the year ended December 31, 2013 from \$26.2 million for the year ended December 31, 2012, an increase of \$0.2 million. This increase was primarily a result of an increase in average rental rates for the 2013/2014 and 2012/2013 academic years, offset by a slight decrease in average occupancy from 77.6% for the year ended December 31, 2012 to 76.3% for the year ended December 31, 2013.

### Third-Party Development Services Revenue

Third-party development services revenue decreased by approximately \$6.1 million, from \$8.6 million during the year ended December 31, 2012 to \$2.5 million for the year ended December 31, 2013. This decrease was primarily due to the closing of bond financing and commencement of construction for the Southern Oregon University and College of Staten Island projects and the commencement of construction on the Lakeside Graduate Community at Princeton University during the year ended December 31, 2012. These new projects contributed an additional \$2.3 million during the year ended December 31, 2012. In addition, revenues of approximately \$3.1 million were recognized during the year ended December 31, 2012 for the Northern Illinois University and Illinois State University projects, both of which completed construction and opened for occupancy in August 2012. Of the \$3.1 million recognized during the year ended December 31, 2012, \$0.8 million related to our participation in cost savings on these two projects.

During the year ended December 31, 2013, we had three projects in progress with an average contractual fee of approximately \$2.7 million, as compared to the year ended December 31, 2012 in which we had seven projects in progress with an average contractual fee of approximately \$2.4 million.

Development services revenues are dependent on our ability to successfully be awarded such projects, the amount of the contractual fee related to the project and the timing and completion of the development and construction of the project. In addition, to the extent projects are completed under budget, we may be entitled to a portion of such savings, which are recognized as revenue when performance has been agreed upon by all parties, or when performance has been verified by an independent third-party. It is possible that projects for which we have deferred pre-development costs will not close and that we will not be reimbursed for such costs. The pre-development costs associated therewith will ordinarily be charged against income for the then-current period.

### Third-Party Management Services Revenue

Third-party management services revenue increased by approximately \$0.6 million, from \$6.9 million for the year ended December 31, 2012 to \$7.5 million for the year ended December 31, 2013. This increase was primarily a result of revenue earned from three newly awarded third-party management contracts and the recognition of incentive management fees from another third-party management contract during the year ended December 31, 2013. We anticipate a modest increase in third-party management services revenue in 2014 from management contracts awarded in late 2013 and anticipated 2014 contracts to be obtained, which will be slightly offset by the anticipated discontinuance of certain existing management contracts.

### Third-Party Development and Management Services Expenses

Third party development and management services expenses decreased by approximately \$0.1 million, from \$10.9 million during the year ended December 31, 2012 to \$10.8 million for the year ended December 31, 2013. This

decrease was primarily a result of the recent growth in our wholly-owned property portfolio, as well as a lower number of newly awarded contracts in this business segment during 2013 as compared to the prior year, offset by approximately \$0.6 million of transfer taxes paid by the Company in connection with our recent conversion of a wholly-owned property into an on-campus ACE structure via a ground lease with Drexel University. We anticipate that third-party development and management services expenses will increase in 2014 as a result of the timing of new management contracts awarded in 2013 along with expected contracts to be awarded in 2014, as well as general inflation.

#### General and Administrative

General and administrative expenses decreased by approximately \$6.3 million, from \$23.0 million during the year ended December 31, 2012 to \$16.7 million for the year ended December 31, 2013. This decrease was primarily a result of \$7.5 million of acquisition-related costs such as broker fees, due diligence costs and legal and accounting fees incurred in 2012 in connection with our purchase of the Campus Acquisitions Portfolio in September 2012 and the Kayne Anderson Portfolio in November 2012, offset by additional salary and benefits expense, public company costs and other general inflationary factors experienced during the year ended

December 31, 2013. We anticipate general and administrative expenses will increase in 2014 as compared to 2013 due to additional salary, health care, and benefits expense, public company costs and other general inflationary factors.

#### Depreciation and Amortization

Depreciation and amortization increased by approximately \$74.5 million, from \$110.5 million during the year ended December 31, 2012 to \$185.0 million for the year ended December 31, 2013. This increase was primarily a result of the following items: (i) additional depreciation and amortization expense of approximately \$55.5 million recorded during the year ended December 31, 2013 related to properties acquired during 2012 and 2013, (ii) the completion of construction and opening of 11 owned development properties in August and September 2012, which contributed an additional \$14.4 million of depreciation and amortization expense during the year ended December 31, 2013, and (iii) the completion of construction and opening of seven owned development properties in August and September 2013, which contributed an additional \$4.5 million of depreciation and amortization expense during the year ended December 31, 2013. These increases were offset by a decrease in the amortization of in-place leases of approximately \$0.9 million related to the purchase of three properties in 2011. The value assigned to in-place leases upon acquisition of these properties was fully amortized by the end of 2012. We expect depreciation and amortization to increase in 2014 as a result of 2013 property acquisitions, the completion of seven owned development projects in August and September 2013, the anticipated completion of five owned development projects in August and September 2014, and the anticipated purchase of a property in August 2014 which is subject to a pre-sale arrangement.

#### Ground/Facility Leases

Ground/facility leases expense increased by approximately \$1.2 million, from \$4.2 million during the year ended December 31, 2012 to \$5.4 million for the year ended December 31, 2013. This increase was primarily due to the completion of construction and commencement of operations of six ACE development projects during 2012 and improved operating results at two of our on-campus participating properties, which increased our share of cash flow available for distribution. We anticipate ground/facility leases expense to increase in 2014 as compared to 2013 due to the planned completion of construction and commencement of operations of three ACE development projects in July and August 2014 and the timing of ACE development projects placed into service during 2013.

#### Interest Income

Interest income increased by approximately \$1.2 million, from \$1.8 million during the year ended December 31, 2012 to \$3.0 million during the year ended December 31, 2013. This increase was primarily a result of our purchase of \$52.8 million in loans receivable on April 22, 2013, which carry an interest rate of 5.12% with semiannual compounding, and contributed \$1.9 million of interest income for the year ended December 31, 2013. This increase was offset by a \$0.6 million decrease to interest income recognized on a loan to a noncontrolling partner that was paid off in July 2013. We expect interest income to increase in 2014 for the reasons discussed above as well as a loan receivable we assumed in connection with our purchase of Cardinal Towne in November 2013.

#### Interest Expense

Interest expense increased by approximately \$23.5 million, from \$54.5 million during the year ended December 31, 2012 to \$78.0 million for the year ended December 31, 2013. We incurred additional interest expense of approximately \$18.3 million during the year ended December 31, 2013 related to loans assumed in connection with 2012 and 2013 property acquisitions. We also incurred additional interest expense of approximately \$11.3 million during the year ended December 31, 2013 related to our \$400 million offering of senior unsecured notes which closed on April 2, 2013. Lastly, we incurred additional interest expense of approximately \$0.4 million during the year ended December 31, 2013 from a construction loan used to partially finance the construction of two owned development

projects which opened for occupancy in August 2012. These increases were offset by a decrease of approximately \$4.1 million during the year ended December 31, 2013 as a result of mortgage and construction loans paid off during 2012 and 2013. In addition, interest expense decreased as a result of an increase in capitalized interest of approximately \$1.2 million due to the timing and volume of construction activities on our owned development projects during the respective periods. Lastly, interest expense decreased by approximately \$0.6 million during the year ended December 31, 2013 related to decreased borrowings under our revolving credit facility, which resulted from using \$321.0 million in proceeds from our unsecured notes offering in April 2013 to pay down in full the outstanding balance on our revolving credit facility. We anticipate interest expense will increase significantly in 2014 as compared to 2013 as a result of our recent \$250 million borrowing under a new unsecured term loan, the timing of our \$400 million bond offering in 2013 and an anticipated bond offering during 2014, and a full year of interest expense incurred on the loans assumed in connection with 2013 property acquisitions. These anticipated increases will be offset by a decrease in interest expense related to the payoff of mortgage debt in 2013 and loans that are scheduled to mature in 2014.

#### Amortization of Deferred Financing Costs

Amortization of deferred financing costs increased approximately \$1.2 million, from \$4.4 million during the year ended December 31, 2012 to \$5.6 million for the year ended December 31, 2013. This increase was primarily due to an additional \$1.1 million of finance cost amortization during the year ended December 31, 2013, as a result of finance costs paid upon the assumption of mortgage debt in connection with 2012 and 2013 property acquisitions. We also incurred an additional \$0.3 million of finance cost amortization during the year ended December 31, 2013 as a result of offering costs paid in connection with our \$400 million unsecured notes offering, which closed on April 2, 2013. These increases were offset by a decrease of approximately \$0.1 million during the year ended December 31, 2013 as a result of mortgage and construction loans paid off during 2012 and 2013. We anticipate amortization of deferred finance costs will increase slightly in 2014 as compared to 2013 as a result of an anticipated bond offering during 2014.

#### Income from Unconsolidated Joint Ventures

We reported income from unconsolidated joint ventures of approximately \$0.4 million for the year ended December 31, 2012 in connection with our share of income from Fund II. In January 2012, we purchased the one remaining property from Fund II and therefore had no additional interest in this joint venture subsequent to that purchase.

#### Other Nonoperating (Expense) Income

Other nonoperating (expense) income changed by approximately \$3.1 million, from income of \$0.4 million during the year ended December 31, 2012 to an expense of \$2.7 million during the year ended December 31, 2013. During the year ended December 31, 2013, we paid \$52.8 million to acquire loans receivable from National Public Finance Guarantee Corporation (“National”) which facilitated the settlement of a lawsuit brought by National against us. In connection with our purchase of the loans receivable, we recorded a purchase discount of approximately \$3.6 million to reflect the difference between the face value of the loans receivable and the present value of the cash flows anticipated to be received under the loans receivable. Concurrent with recording this \$3.6 million purchase discount, we recognized litigation settlement costs of \$2.8 million in excess of amounts provided by insurance.

The litigation settlement costs discussed above were offset by a gain of approximately \$0.1 million recognized upon our purchase of Townhomes at Newtown Crossing in September 2013, a property previously subject to a pre-sale/mezzanine investment agreement. We included the property in our consolidated financial statements during the construction period, as a result of applying accounting guidance related to variable interest entities. The property completed construction in August 2013 and the gain recorded upon our purchase of the property primarily relates to interest income earned on our mezzanine investment during the construction period.

Other nonoperating income of \$0.4 million for the year ended December 31, 2012 primarily related to a gain recognized upon our purchase of University Edge in December 2012, a property previously subject to a pre-sale/mezzanine investment agreement. We included the property in our consolidated financial statements during the construction period, as a result of applying accounting guidance related to variable interest entities. The property completed construction in August 2012 and the gain recorded upon our purchase of the property primarily relates to interest income earned on our mezzanine investment during the construction period.

#### Income Tax Provision

The Company’s provision for income taxes increased by approximately \$0.3 million, from \$0.7 million for the year ended December 31, 2012 to \$1.0 million for the year ended December 31, 2013. This increase relates to our



increased presence in Texas as a result of our recent acquisition and owned development activity and subsequent increase in Texas Franchise taxes incurred. We expect our income tax expense to increase slightly in 2014 for the same reason discussed above.

#### Discontinued Operations

Discontinued operations on the accompanying consolidated statements of comprehensive income includes the following wholly-owned properties: (i) Hawks Landing, a wholly-owned property that was classified as Held for Sale as of December 31, 2013, (ii) University Mills, sold in November 2013 for a sales price of \$14.5 million, (iii) Campus Ridge, sold in October 2013 for a sales price of \$12.3 million, (iv) State College Park, University Pines, The Village at Blacksburg and Northgate Lakes, wholly-owned properties sold in July 2013 for a combined sales price of \$157.4 million, (v) Brookstone Village and Campus Walk, wholly-owned properties sold in December 2012 for a combined sales price of \$26.6 million, and (vi) Pirates Cove, sold in April 2012

for a sales price of \$27.5 million. Refer to Note 6 in the accompanying Notes to Consolidated Financial Statements contained in Item 8 for a table summarizing the results of operations of the properties classified within discontinued operations.

#### Comparison of the Years Ended December 31, 2012 and 2011

The following table presents our results of operations for the years ended December 31, 2012 and 2011, including the amount and percentage change in these results between the two periods.

	Year Ended December 31,				
	2012	2011	Change (\$)	Change (%)	
<b>Revenues:</b>					
Wholly-owned properties	\$422,417	\$320,554	\$101,863	31.8	%
On-campus participating properties	26,166	25,252	914	3.6	%
Third-party development services	8,574	7,497	1,077	14.4	%
Third-party management services	6,893	7,254	(361)	(5.0)	)%
Resident services	1,605	1,353	252	18.6	%
Total revenues	465,655	361,910	103,745	28.7	%
<b>Operating expenses:</b>					
Wholly-owned properties	200,126	154,023	46,103	29.9	%
On-campus participating properties	11,073	10,180	893	8.8	%
Third-party development and management services	10,898	11,368	(470)	(4.1)	)%
General and administrative	22,965	12,752	10,213	80.1	%
Depreciation and amortization	110,499	80,840	29,659	36.7	%
Ground/facility leases	4,248	3,608	640	17.7	%
Total operating expenses	359,809	272,771	87,038	31.9	%
Operating income	105,846	89,139	16,707	18.7	%
<b>Nonoperating income and (expenses):</b>					
Interest income	1,756	579	1,177	203.3	%
Interest expense	(54,518)	(49,601)	(4,917)	9.9	)%
Amortization of deferred financing costs	(4,425)	(5,032)	607	(12.1)	)%
Income (loss) from unconsolidated joint ventures	444	(641)	1,085	(169.3)	)%
Other nonoperating income	411	—	411	100	%
Total nonoperating expenses	(56,332)	(54,695)	(1,637)	3.0	)%
Income before income taxes and discontinued operations	49,514	34,444	15,070	43.8	%
Income tax provision	(725)	(433)	(292)	67.4	)%
Income from continuing operations	48,789	34,011	14,778	43.5	%
<b>Discontinued operations:</b>					
Income attributable to discontinued operations	8,728	9,155	(427)	(4.7)	)%
Loss from early extinguishment of debt	(1,591)	—	(1,591)	(100.0)	)%
Gain from disposition of real estate	4,312	14,806	(10,494)	(70.9)	)%
Total discontinued operations	11,449	23,961	(12,512)	(52.2)	)%

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Net income	60,238	57,972	2,266	3.9	%
Net income attributable to noncontrolling interests	(3,602	) (1,343	) (2,259	) 168.2	%
Net income attributable to common shareholders	\$56,636	\$56,629	\$7	0.0	%

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## Same Store and New Property Operations

A reconciliation of our same store and new property operations to our consolidated statements of comprehensive income is set forth below.

	Same Store Properties <sup>(1)</sup>		New Properties <sup>(2)</sup>		Total - All Properties <sup>(1)</sup>	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011	2012	2011
Number of properties	81	81	59	8	140	89
Number of beds	48,069	48,069	35,457	5,679	83,526	53,748
Revenues <sup>(3)</sup>	\$318,812	\$310,608	\$105,210	\$11,299	\$424,022	\$321,907
Operating expenses	149,805	147,250	50,321	6,773	200,126	154,023

Excludes one property classified as Held for Sale as of December 31, 2013 and six properties that were sold during <sup>(1)</sup> 2013 that are included in discontinued operations on the accompanying consolidated statements of comprehensive income.

Does not include properties under construction as of December 31, 2012. Number of properties and number of <sup>(2)</sup> beds also excludes properties undergoing redevelopment as of December 31, 2012, although the results of operations of those properties are included in revenues and operating expenses prior to commencement of redevelopment activities.

<sup>(3)</sup> Includes revenues which are reflected as resident services revenue on the accompanying consolidated statements of comprehensive income.

Same Store Properties. The increase in revenue from our same store properties was primarily due to an increase in average rental rates for the 2011/2012 and 2012/2013 academic years, offset by a slight decrease in average occupancy from 96.8% during the year ended December 31, 2011 to 96.4% during the year ended December 31, 2012. The increase in operating expenses for our same store properties was primarily due to inflationary increases in payroll and maintenance costs offset by a decrease in property taxes.

New Property Operations. Our new properties for the year ended December 31, 2012 consist of the following: (i) Campus Trails, a property that experienced significant property damage in April 2010 as a result of a fire in which 72 beds were destroyed and reopened for occupancy in August 2011; (ii) four owned development projects that opened for occupancy in August 2011; (iii) The Plaza on University (formerly referred to as University Shoppes - Orlando), acquired in July 2011 and currently undergoing redevelopment; (iv) Eagles Trail, acquired in September 2011, (v) U Club Townhomes on Woodward (formerly referred to as Studio Green), acquired in November 2011 and currently being redeveloped into a 448-bed townhome community scheduled to open for occupancy in August 2013; (vi) 26 West and The Varsity, both acquired in December 2011, (vii) University Heights- Knoxville, acquired from Fund II in January 2012, (viii) Avalon Heights, acquired in May 2012, (ix) University Commons, acquired in June 2012, (x) The Block, acquired in August 2012, (xi) The Retreat, acquired in September 2012, (xii) 11 owned development projects that opened for occupancy in August and September 2012 (xiii) a 15-property student housing portfolio acquired in September 2012, (xiv) a 19-property student housing portfolio acquired in November 2012, and (xv) University Edge, a property previously subject to a pre-sale agreement that we acquired in December 2012.

## On-Campus Participating Properties (“OCPP”) Operations

We had four participating properties containing 4,519 beds which were operating during both years ended December 31, 2012 and 2011. Revenues from our participating properties increased to \$26.2 million during the year ended December 31, 2012 from \$25.3 million for the year ended December 31, 2011, an increase of \$0.9 million. This increase was primarily a result of an increase in average rental rates for the 2011/2012 and 2012/2013 academic years, offset by a slight decrease in average occupancy from 78.3% for the year ended December 31, 2011 to 77.6% for the year ended December 31, 2012.

At these properties, operating expenses increased from \$10.2 million for the years ended December 31, 2011 to \$11.1 million for the year ended December 31, 2012, an increase of \$0.9 million. This increase was primarily due to a utility refund of approximately \$0.7 million received at one of the properties during the prior year.

### Third-Party Development Services Revenue

Third-party development services revenue increased by approximately \$1.1 million, from \$7.5 million during the year ended December 31, 2011 to \$8.6 million for the year ended December 31, 2012. This increase was primarily due to the closing of financing and commencement of construction for the Southern Oregon University and College of Staten Island projects and the commencement of construction on the Lakeside Graduate Community at Princeton University during the year ended December 31, 2012. These new projects contributed an additional \$4.6 million of revenue during that period. In addition, we recognized approximately \$0.8 million of revenue during the year ended December 31, 2012 related to our participation in cost savings on the Northern Illinois University and Illinois State University projects. These increases were offset by the closing of bond financing and commencement of construction for the Illinois State and Northern Illinois University projects during the year ended December 31, 2011, which contributed an additional \$2.5 million of revenue during that period. In addition, revenues of approximately \$1.3 million were recognized during the year ended December 31, 2011 for the Edinboro Phase II and Cleveland State University Phase II projects, both of which completed construction and opened for occupancy in August 2011.

During the year ended December 31, 2012, we had seven projects in progress with an average contractual fee of approximately \$2.4 million, as compared to the year ended December 31, 2011 in which we had six projects in progress with an average contractual fee of approximately \$2.2 million.

### Third-Party Management Services Revenue

Third-party management services revenue decreased by approximately \$0.4 million, from \$7.3 million for the year ended December 31, 2011 to \$6.9 million for the year ended December 31, 2012. This decrease was primarily a result of the discontinuation of a management contract during the prior year, for which we recognized a \$0.3 million termination fee.

### Third-Party Development and Management Services Expenses

Third party development and management services expenses decreased by approximately \$0.5 million, from \$11.4 million during the year ended December 31, 2011 to \$10.9 million for the year ended December 31, 2012. This decrease was primarily a result of the growth in our wholly-owned property portfolio, as well as a lower number of newly awarded contracts in this business segment during 2012 as compared to the prior year.

### General and Administrative

General and administrative expenses increased by approximately \$10.2 million, from \$12.8 million during the year ended December 31, 2011 to \$23.0 million for the year ended December 31, 2012. This increase was primarily a result of \$7.5 million of acquisition-related costs such as broker fees, due diligence costs and legal and accounting fees incurred in 2012 in connection with our purchase of the Campus Acquisitions Portfolio in September 2012 and the Kayne Anderson Portfolio in November 2012. The remaining increase is a result of additional salary and benefits expense, public company costs and other general inflationary factors experienced during 2012.

### Depreciation and Amortization

Depreciation and amortization increased by approximately \$29.7 million, from \$80.8 million during the year ended December 31, 2011 to \$110.5 million for the year ended December 31, 2012. This increase was a result of the following items: (i) additional depreciation and amortization expense of approximately \$22.4 million recorded during the year ended December 31, 2012 related to properties acquired during 2011 and 2012, (ii) the completion of construction and opening of 11 owned development properties in August and September 2012, which contributed an

additional \$6.6 million of depreciation expense during 2012, and (iii) the completion of construction and opening of four owned development properties in August 2011, which contributed an additional \$2.5 million of depreciation expense during 2012. These increases were offset by a decrease in the amortization of in-place leases of approximately \$3.0 million related to 14 properties purchased from joint ventures with Fidelity in 2010. The value assigned to in-place leases upon acquisition of these properties was fully amortized by the end of 2011.

#### Ground/Facility Leases

Ground/facility leases expense increased by approximately \$0.6 million, from \$3.6 million during the year ended December 31, 2011 to \$4.2 million for the year ended December 31, 2012. This increase was primarily due to the completion of construction and commencement of operations of six ACE development projects during 2012.

#### Interest Income

Interest income increased by approximately \$1.2 million, from \$0.6 million during the year ended December 31, 2011 to \$1.8 million during the year ended December 31, 2012. This increase was primarily due to interest earned on a loan made to the noncontrolling partner in a joint venture that owns The Varsity, a property purchased in December 2011.

#### Interest Expense

Interest expense increased by approximately \$4.9 million, from \$49.6 million during the year ended December 31, 2011 to \$54.5 million for the year ended December 31, 2012. We experienced an increase in interest expense of approximately \$6.7 million on our corporate-level debt related to an additional borrowing of \$150 million in January 2012 under our unsecured term loan, as well as increased borrowings under our revolving credit facility. We also incurred additional interest expense of approximately \$4.1 million during 2012 related to loans assumed in connection with 2012 property acquisitions. Lastly, we incurred additional interest expense of approximately \$0.7 million during 2012 from construction loans used to partially finance the construction of three owned development projects which opened for occupancy in August and September 2012. These increases were offset by a decrease of approximately \$3.8 million during 2012 as compared to the prior year as a result of mortgage and construction loans paid off during 2011 and 2012. In addition, interest expense decreased as a result of an increase in capitalized interest of approximately \$2.0 million during 2012 as compared to the prior year due to the timing and volume of construction activities on our owned development projects during the respective periods.

#### Amortization of Deferred Financing Costs

Amortization of deferred financing costs decreased approximately \$0.6 million, from \$5.0 million during the year ended December 31, 2011 to \$4.4 million for the year ended December 31, 2012. This decrease was primarily a result of mortgage and construction debt paid off during 2011 and 2012.

#### Income (Loss) from Unconsolidated Joint Ventures

We reported income from unconsolidated joint ventures of approximately \$0.4 million for the year ended December 31, 2012, as compared to a loss from unconsolidated joint ventures of approximately \$0.6 million for the year ended December 31, 2011. This variance was due to our share of a gain on debt restructuring recorded by Fund II during 2012. Immediately prior to our acquisition of University Heights- Knoxville from Fund II in January 2012, Fund II negotiated a Settlement Agreement with the lender of the property's mortgage loan whereby the lender agreed to accept a discounted amount that was less than the original principal amount of the loan as payment in full. Accordingly, Fund II recorded a gain on debt restructuring of \$4.2 million, of which our 10% share was \$0.4 million.

#### Other Nonoperating Income

Other nonoperating income of \$0.4 million for the year ended December 31, 2012 primarily related to a gain recognized upon the purchase of University Edge in December 2012, a property previously subject to a pre-sale / mezzanine investment agreement. The company had been including the property in its consolidated financial statements from the time the pre-sale / mezzanine investment agreements were entered into, as a result of applying accounting guidance related to variable interest entities. The property completed construction in August 2012 and we closed on the purchase of the property in December 2012. The gain recorded upon the property's purchase primarily relates to interest income earned on our mezzanine investment during the construction period.

#### Income Tax Provision



The Company's provision for income taxes increased by approximately \$0.3 million, from \$0.4 million for the year ended December 31, 2011 to \$0.7 million for the year ended December 31, 2012. This increase relates to our increased presence in Texas as a result of our recent acquisition activity and subsequent increase in Texas Franchise taxes due.

#### Discontinued Operations

Discontinued operations on the accompanying consolidated statements of comprehensive income includes the following wholly-owned properties: (i) Hawks Landing, a wholly-owned property that was classified as Held for Sale as of December 31, 2013, (ii) University Mills, sold in November 2013 for a sales price of \$14.5 million, (iii) Campus Ridge, sold in October 2013 for a sales price of \$12.3 million, (iv) State College Park, University Pines, The Village at Blacksburg and Northgate Lakes, wholly-owned properties sold in July 2013 for a combined sales price of \$157.4 million, (v) Brookstone Village and Campus Walk,

wholly-owned properties sold in December 2012 for a combined sales price of \$26.6 million, and (vi) Pirates Cove, sold in April 2012 for a sales price of \$27.5 million. Refer to Note 6 in the accompanying Notes to Consolidated Financial Statements contained in Item 8 for a table summarizing the results of operations of the properties classified within discontinued operations.

## Liquidity and Capital Resources

### Cash Balances and Cash Flows

As of December 31, 2013, excluding our on-campus participating properties, we had \$63.2 million in cash and cash equivalents and restricted cash as compared to \$46.9 million in cash and cash equivalents and restricted cash as of December 31, 2012. Restricted cash primarily consists of escrow accounts held by lenders and resident security deposits, as required by law in certain states, and funds held in escrow in connection with potential acquisition and development opportunities. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our consolidated statements of cash flows included in Item 8.

**Operating Activities:** For the year ended December 31, 2013, net cash provided by operating activities was approximately \$246.7 million, as compared to approximately \$195.1 million for the year ended December 31, 2012, an increase of approximately \$51.6 million. This increase in cash provided by operating activities was primarily due to operating cash flows provided from the timing of the acquisition of 46 properties and an additional phase at an existing property in 2012 and 2013 and the completion of construction and opening of 11 owned development projects in August and September 2012 and seven owned development projects in August and September 2013.

**Investing Activities:** Investing activities utilized approximately \$510.0 million and \$1,447.6 million for the years ended December 31, 2013 and 2012, respectively. The \$937.6 million decrease in cash utilized in investing activities was primarily a result of the following: (i) an \$875.4 million decrease in cash paid to acquire properties and undeveloped land as we acquired six wholly-owned properties and an additional phase at an existing wholly-owned property during the year ended December 31, 2013 compared to 40 properties during the year ended December 31, 2012; (ii) a \$139.1 million increase in proceeds received from the disposition of real estate, as six wholly-owned properties were sold during the year ended December 31, 2013 as compared to three wholly-owned properties during the year ended December 31, 2012; and (iii) a \$41.3 million decrease in cash used to fund the construction of our wholly-owned development properties, as 19 wholly-owned properties were under construction during the year ended December 31, 2012, of which 11 completed construction in August and September 2012, as compared to 14 wholly-owned properties that were under construction during the year ended December 31, 2013, of which seven completed construction in August and September 2013. These decreases were offset by (i) the purchase of \$49.2 million in loans receivable secured by a lien on, and the cash flows from, two student housing properties in close proximity to the University of Central Florida; (ii) a \$37.2 million increase in cash used to fund capital expenditures at our wholly-owned properties, as we began or continued renovations at several properties acquired in 2012; (iii) a \$6.8 million increase in mezzanine financing provided to third-party developers during the comparable periods; (iv) the repayment of a \$4.0 million mezzanine loan by a third-party developer during the year ended December 31, 2012; and (v) \$15.5 million in cash used during the year ended December 31, 2013 to fund the construction of an on-campus participating property located in Morgantown, West Virginia, scheduled to open for occupancy in August 2014.

**Financing Activities:** Cash provided by financing activities totaled approximately \$280.6 million and \$1,251.5 million for the years ended December 31, 2013 and 2012, respectively. The \$970.9 million decrease in cash provided by financing activities was primarily a result of the following: (i) a \$1,335.4 million decrease in net proceeds raised through the issuance of common stock; (ii) a \$96.6 million decrease in proceeds (net of pay downs) received from our revolving credit facilities; (iii) a \$59.6 million decrease in construction loan proceeds as the development and construction of one on-campus participating property was financed with a construction loan during the year ended

December 31, 2013 as compared to three wholly-owned properties during the year ended December 31, 2012; and (iv) a \$31.9 million increase in distributions to stockholders during the year ended December 31, 2013, as a result of the issuance of common stock in connection with our July 2012 and October 2012 equity offerings and the issuance of stock in 2012 in connection with our ATM Equity Programs. These decreases were primarily offset by (i) an offering of senior unsecured notes with net proceeds of \$398.6 million which closed on April 2, 2013; (ii) a \$100 million increase in proceeds from unsecured term loans as we borrowed \$250 million under the Term Loan II Facility in December 2013 as compared to \$150 million under the Term Loan I Facility in January 2012; and (iii) a \$55.5 million decrease in cash used to pay off maturing mortgage and construction debt.

#### Liquidity Needs, Sources and Uses of Capital

As of December 31, 2013, our short-term liquidity needs included, but were not limited to, the following: (i) anticipated distribution payments to our common and restricted stockholders totaling approximately \$151.8 million based on an assumed annual cash distribution of \$1.44 per share based on the number of our shares outstanding as of December 31, 2013, (ii) anticipated distribution

payments to our Operating Partnership unitholders totaling approximately \$1.9 million based on an assumed annual distribution of \$1.44 per common unit and a cumulative preferential per annum cash distribution rate of 5.99% on our Series A preferred units based on the number of units outstanding as of December 31, 2013, (iii) pay-off of approximately \$178.4 million of fixed-rate mortgage debt and \$44.6 million of variable-rate construction debt scheduled to mature during the next 12 months, (iv) pay down outstanding borrowings of \$87.8 million under our secured agency facility scheduled to mature in September 2014, (v) estimated development costs over the next 12 months totaling approximately \$262.3 million for our wholly-owned properties currently under construction, (vi) funds for other development projects scheduled to commence construction during the next 12 months, and (vii) potential future property acquisitions, including mezzanine financed developments.

We expect to meet our short-term liquidity requirements by (i) borrowing under our existing credit facilities discussed below, (ii) accessing the unsecured bond market, (iii) exercising debt extension options to the extent they are available, (iv) issuing securities, including common stock, under our \$500 million at-the-market share offering program (“ATM Equity Program”) discussed below, (v) potentially disposing of properties depending on market conditions, and (vi) utilizing net cash provided by operations.

We may seek additional funds to undertake initiatives not contemplated by our business plan or obtain additional cushion against possible shortfalls. We also may pursue additional financing as opportunities arise. Future financings may include a range of different sizes or types of financing, including the incurrence of additional secured debt and the sale of additional debt or equity securities. These funds may not be available on favorable terms or at all. Our ability to obtain additional financing depends on several factors, including future market conditions, our success or lack of success in penetrating our markets, our future creditworthiness, and restrictions contained in agreements with our investors or lenders, including the restrictions contained in the agreements governing our revolving credit facilities, term loans and unsecured notes. These financings could increase our level of indebtedness or result in dilution to our equity holders.

#### ATM Equity Programs

As discussed in more detail in Note 12 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, during the year ended December 31, 2013, we established a new ATM Equity Program under which we may sell shares of our common stock into the existing trading market at current market prices with an aggregate offering price of up to \$500 million. We did not sell any shares under the ATM Equity program during the year ended December 31, 2013.

#### Senior Unsecured Notes

As discussed in more detail in Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, in April 2013 we issued \$400 million of 10-year senior unsecured notes at 99.659 percent of par value with a coupon of 3.75 percent and a yield of 3.791 percent. Net proceeds from the sale of the unsecured notes totaled approximately \$394.4 million after deducting the underwriting discount and estimated offering expenses and we used \$321.0 million of the proceeds to pay down the outstanding balance on our revolving credit facility in full. The terms of the unsecured notes include certain financial covenants that require the Operating Partnership to limit the amount of total debt and secured debt as a percentage of total asset value, as defined. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as a minimum interest coverage level. As of December 31, 2013, we were in compliance with all such covenants.

#### Unsecured Credit Facility

As discussed in more detail in Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, in December 2013, we entered into a Fourth Amended and Restated Credit Agreement (the "Agreement"), whereby we increased our aggregate unsecured credit facility to \$1.1 billion. Pursuant to the Agreement, we borrowed \$250 million under a new term loan facility (the "Term Loan II Facility"), increased the size and extended the maturity date on our existing revolving credit facility and lowered the interest rate spreads for our existing \$350 million term loan (the "Term Loan I Facility") and revolving credit facility, to reflect current market terms.

As of December 31, 2013, the balance outstanding on our revolving credit facility totaled \$150.7 million, bearing interest at a weighted average annual rate of 1.72%, and availability under the revolving credit facility totaled \$349.3 million. The terms of the Unsecured Credit Facility include certain restrictions and covenants, as discussed more fully in Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, including covenants that restrict the amount of distributions that we can pay. As of December 31, 2013, we were in compliance with all such covenants.

### Secured Agency Facility

As discussed in more detail in Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, we also have a \$125 million secured revolving credit facility with a Freddie Mac lender. As of December 31, 2013, the balance outstanding on the facility totaled \$87.8 million, bearing interest at a weighted average annual rate of 2.20%. The secured agency facility includes some, but not all, of the same financial covenants as the Credit Facility, as described above. As of December 31, 2013, we were in compliance with all such covenants.

### Distributions

We are required to distribute 90% of our REIT taxable income (excluding capital gains) on an annual basis in order to qualify as a REIT for federal income tax purposes. Distributions to common stockholders are at the discretion of the Board of Directors. We may use borrowings under our secured revolving credit facility to fund distributions. The Board of Directors considers a number of factors when determining distribution levels, including market factors and our Company's performance in addition to REIT requirements.

On January 28, 2014, we declared a fourth quarter 2013 distribution per share of \$0.36, which was paid on February 21, 2014 to all common stockholders of record as of February 10, 2014. At the same time, the Operating Partnership paid an equivalent amount per unit to holders of Common Units, as well as the quarterly cumulative preferential distribution to holders of Series A Preferred Units.

### Capital Expenditures

We distinguish between the following four categories of capital expenditures:

Recurring capital expenditures represent additions that are recurring in nature to maintain a property's income, value, and competitive position within the market. Recurring capital expenditures typically include, but are not limited to, appliances, furnishings, carpeting and flooring, HVAC equipment and kitchen/bath cabinets. Maintenance and repair costs incurred during our annual turn process due to normal wear and tear by residents are expensed as incurred.

Acquisition-related capital expenditures represent additions identified upon acquiring a property and are considered part of the initial investment. These expenditures are intended to position the property to be consistent with our physical standards and are usually incurred within the first two and occasionally the third year after acquisition.

Renovations and strategic repositioning capital expenditures are incurred to enhance the economic value and return of the property.

Non-recurring and other capital expenditures represent the addition of features or amenities that did not exist at the property but were deemed necessary to remain competitive within a specific market. This category also includes capital expenditures at properties that were sold during the year as well as items considered extraordinary in nature.

Additionally, we are required by certain of our lenders to contribute amounts to reserves for capital repairs and improvements at our mortgaged properties, which may exceed the amount of capital expenditures actually incurred by us during those periods.

Our historical capital expenditures at our wholly-owned properties are set forth below:

	As of and for the Year Ended December 31,		
	2013	2012	2011
Recurring capital expenditures	\$ 18,364	\$ 13,510	\$ 11,101

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Acquisition-related	42,767	14,447	10,259
Renovations and strategic repositioning	4,124	2,589	1,391
Non-recurring and other	3,373	907	1,817
Total	68,628	31,453	24,568
Average beds	86,678	66,555	56,418
Average recurring capital expenditures per bed	\$212	\$203	\$197

### Pre-Development Expenditures

Our third-party and owned development activities have historically required us to fund pre-development expenditures such as architectural fees, permits and deposits. The closing and/or commencement of construction of these development projects is subject to a number of risks such as our inability to obtain financing on favorable terms and delays or refusals in obtaining necessary zoning, land use, building, and other required governmental permits and authorizations. As such, we cannot always predict accurately the liquidity needs of these activities. We frequently incur these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained. Accordingly, we bear the risk of the loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or we are unable to successfully obtain the required permits and authorizations. Historically, our third-party and owned development projects have been successfully structured and financed; however, these developments have at times been delayed beyond the period initially scheduled, causing revenue to be recognized in later periods. As of December 31, 2013, we have deferred approximately \$2.3 million in pre-development costs related to third-party and owned development projects that have not yet commenced construction.

### Indebtedness

As of December 31, 2013, we had approximately \$2,671.8 million of outstanding consolidated indebtedness (excluding net unamortized mortgage debt premiums and debt discounts of approximately \$74.6 million and \$2.0 million, respectively), comprised of \$398.7 million of 10-year unsecured notes (net of original issue discount), a \$600.0 million balance on our unsecured term loans, a \$150.7 million balance on our unsecured revolving credit facility, an \$87.8 million balance on our secured agency facility, \$1,345.0 million in mortgage and construction loans secured by our wholly-owned properties, a \$31.4 million balance in mortgage loans secured by two phases of an on-campus participating property, \$42.4 million in bond issuances secured by three of our on-campus participating properties and a \$15.8 million balance on a construction loan used to finance the development of an on-campus participating property which is scheduled to be completed in August 2014. The weighted average interest rate on our consolidated indebtedness as of December 31, 2013 was 4.01% per annum. As of December 31, 2013, approximately 19.9% of our total consolidated indebtedness was variable rate debt, comprised of our secured agency facility, unsecured revolving credit facility, Term Loan Facility II and one of our construction loans discussed below.

### Wholly-Owned Properties

**Mortgage debt:** The weighted average interest rate of the \$1,300.4 million of wholly-owned mortgage debt was 5.28% per annum as of December 31, 2013. Each of the mortgage loans is a non-recourse obligation subject to customary exceptions. The loans generally may not be prepaid prior to maturity; in certain cases prepayment is allowed, subject to prepayment penalties.

**Construction loan:** The development and construction of two on-campus ACE properties (The Suites and Hilltop Townhomes), were partially financed on a combined basis with a \$45.4 million construction loan. We have the option of choosing the Prime rate or one-, two-, three-, or six-month LIBOR plus 1.45%. The loan requires payments of interest only during the term of the loan and any accrued interest and outstanding borrowings become due on the maturity date of May 16, 2014. The term of the loan can be extended through May 2016 through the exercise of two 12-month extension options. As of December 31, 2013, the balance outstanding on the construction loan totaled \$44.6 million, bearing interest at a weighted average rate per annum of 1.62%.

### On-Campus Participating Properties



Bonds: As discussed in Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, three of our on-campus participating properties are 100% financed with project-based taxable bonds. As of December 31, 2013, the bonds carry a balance of \$42.4 million and bear interest at a weighted average rate per annum of 7.55%. The loans encumbering the leasehold interests are non-recourse, subject to customary exceptions.

Mortgage loans: The Cullen Oaks Phase I and Phase II on-campus participating properties are currently encumbered by mortgage loans with balances as of December 31, 2013 of approximately \$15.6 million and \$15.8 million, respectively. The loans mature in February 2014 and bear interest at a rate of LIBOR plus 1.35%. In connection with these loans, we entered into an interest rate swap agreement effective February 15, 2007 through February 15, 2014, that is designated to hedge our exposure to fluctuations on interest payments attributed to changes in interest rates associated with payments on the loans. Under the terms of the interest rate swap agreement, we pay a fixed rate of 6.69% per annum and receive a floating rate of LIBOR plus 1.35%. We have guaranteed payment of a portion of this property's indebtedness. As discussed in more detail in Note 20 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, we extended the maturity date of these mortgage loans to February 15, 2021 and entered into two new interest rate swap contracts.

Construction loan: The development and construction of an on-campus participating property located in Morgantown, West Virginia, which is scheduled to complete construction and open for occupancy in August 2014, is financed with a \$44.2 million construction loan which has an outstanding balance of \$15.8 million as of December 31, 2013. The loan matures in July 2045, bears interest at a rate of 3.85% per annum for the first five years and one-month LIBOR plus 2.5% for the remaining term of the loan. The loan requires payments of interest only during the first two years and principal and interest payments beginning in August 2015.

#### Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2013:

	Total	2014	2015	2016	2017	2018	Thereafter
Long-term debt <sup>(1) (2)</sup>	\$3,206,877	\$424,213	\$314,929	\$292,867	\$535,676	\$370,619	\$1,268,573
Development projects <sup>(3)</sup>	367,771	290,339	77,432	—	—	—	—
Operating leases <sup>(4)</sup>	274,144	6,644	6,587	7,122	6,970	6,917	239,904
Renovation and capital improvements project <sup>(5)</sup>	27,514	7,842	19,672	—	—	—	—
Pre-sale contract <sup>(6)</sup>	23,550	23,550	—	—	—	—	—
	\$3,899,856	\$752,588	\$418,620	\$299,989	\$542,646	\$377,536	\$1,508,477

Long-term debt obligations reflect the payment of both principal and interest. For long-term obligations with a <sup>(1)</sup> variable interest rate, the rate in effect at December 31, 2013 was assumed to remain constant over all periods presented.

Assumes we do not exercise extension options available to us on our unsecured credit facility, which is more fully <sup>(2)</sup> discussed in Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, and our construction loans, which are discussed in Liquidity and Capital Resources contained in Item 7 herein.

Consists of the completion costs related to seven owned development projects and one on-campus participating development project which will be funded entirely by us and are scheduled to be completed between August 2014 and September 2015. We have entered into contracts with general contractors for certain phases of the <sup>(3)</sup> construction of these projects. However, these contracts do not generally cover all of the costs that are necessary to place these properties into service, including the cost of furniture and marketing and leasing costs. The unfunded commitments presented include all such costs, not only those costs that we are obligated to fund under the construction contracts. The 2014 contractual obligation amount includes approximately \$28.1 million of completion costs for our West Virginia University project which is financed entirely with a construction loan.

Includes minimum annual lease payments under ground/facility lease agreements entered into with university <sup>(4)</sup> systems and other third parties as well as other operating leases related to corporate office space and equipment. Refer to Note 16 in the accompanying Notes to Consolidated Financial Statements contained in Item 8 for a more detailed discussion of our operating leases.

In August 2013, we conveyed fee interest in a parcel of land on which one of our student housing properties resides, to Drexel University (the "University") and concurrently entered into a ground lease agreement with the <sup>(5)</sup> University. As part of the ground lease agreement, we committed to spend a minimum of \$22.3 million in renovations and capital improvements over a five year period. The contractual obligation amount is based on our current scope of work and construction schedule.

<sup>(6)</sup> In July 2013, we entered into a purchase and contribution agreement with a private developer whereby we are obligated to purchase a student housing property located in Knoxville, Tennessee as long as the developer meets

certain construction completion deadlines and other closing conditions. The development of the property (University Walk) is anticipated to be completed in August 2014 and will serve students attending the University of Tennessee. The contractual obligation amount represents the purchase price of \$30.0 million, plus elected purchaser upgrades, less the mezzanine loan amount of approximately \$8.8 million that we previously funded to the developer in July 2013.

Funds From Operations (“FFO”)

The National Association of Real Estate Investment Trusts (“NAREIT”) currently defines FFO as net income or loss attributable to common shares computed in accordance with generally accepted accounting principles (“GAAP”), excluding gains or losses

from depreciable operating property sales, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO excludes GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. We therefore believe that FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, and interest costs, among other items, providing perspective not immediately apparent from net income. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs.

We also believe it is meaningful to present a measure we refer to as FFO-Modified, or FFOM, which reflects certain adjustments related to the economic performance of our on-campus participating properties and other nonrecurring items. Under our participating ground leases, we and the participating university systems each receive 50% of the properties' net cash available for distribution after payment of operating expenses, debt service (which includes significant amounts towards repayment of principal) and capital expenditures. A substantial portion of our revenues attributable to these properties is reflective of cash that is required to be used for capital expenditures and for the amortization of applicable property indebtedness. These amounts do not increase our economic interest in these properties or otherwise benefit us since our interest in the properties terminates upon the repayment of the applicable property indebtedness. Therefore, unlike the ownership of our wholly-owned properties, the unique features of our ownership interest in our on-campus participating properties cause the value of these properties to diminish over time. For example, since the ground/facility leases under which we operate the participating properties require the reinvestment from operations of specified amounts for capital expenditures and for the repayment of debt while our interest in these properties terminates upon the repayment of the debt, such capital expenditures do not increase the value of the property to us and mortgage debt amortization only increases the equity of the ground lessor.

Accordingly, we believe it is meaningful to modify FFO to exclude the operations of our on-campus participating properties and to consider their impact on our performance by including only that portion of our revenues from those properties that are reflective of our share of net cash flow and the management fees that we receive, both of which increase and decrease with the operating performance of the properties. This narrower measure of performance measures our profitability for these properties in a manner that is similar to the measure of our profitability from our services business where we similarly incur no initial or ongoing capital investment in a property and derive only consequential benefits from capital expenditures and debt amortization. We believe, however, that this narrower measure of performance is inappropriate in traditional real estate ownership structures where debt amortization and capital expenditures enhance the property owner's long-term profitability from its investment. When calculating FFOM, we also exclude losses from early extinguishment of debt incurred in connection with property dispositions and other non-cash gains or losses, as appropriate.

Our FFOM may have limitations as an analytical tool because it reflects the contractual calculation of net cash flow from our on-campus participating properties, which is unique to us and is different from that of our owned off-campus properties. Companies that are considered to be in our industry may not have similar ownership structures; and therefore those companies may not calculate FFOM in the same manner that we do, or at all, limiting its usefulness as a comparative measure. We compensate for these limitations by relying primarily on our GAAP and FFO results and using FFOM only supplementally. Further, FFO and FFOM do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments and uncertainties. FFO and FFOM should not be considered as alternatives to net income or loss computed in accordance with GAAP as an indicator of our financial performance, or to cash flow from operating activities computed in accordance with GAAP as an indicator of our liquidity, nor are these measures indicative of funds

available to fund our cash needs, including our ability to pay dividends or make distributions.

The following table presents a reconciliation of our net income attributable to common shareholders to FFO and FFOM:

	Year Ended December 31,		
	2013	2012	2011
Net income attributable to common shareholders	\$ 104,644	\$ 56,636	\$ 56,629
Noncontrolling interests <sup>(1)</sup>	1,756		