

## University of Kentucky to Give Dorms a Private Side



University of Kentucky

The University of Kentucky in Lexington is in talks to transfer 6,000 beds, like those at Holmes Hall, pictured, to Education Realty Trust.

The student-housing world could be on the verge of a radical change. And it has nothing to do with roommates — well, mostly not.

As [we report](#) today, the University of Kentucky is negotiating to turn over its housing operations to Education Realty Trust, which could redevelop much of the existing space and add thousands more beds in the next few years.

Industry watchers say this is one of the biggest schools to contemplate privatizing its dorm space in one fell swoop. If U.K. — a respected flagship school — can make it work, other schools will undoubtedly follow. “Nobody wants to be the first mover,” pointed out Robert W. Baird analyst Paula Poskon.

It’s easy to see the attraction: The developer gets access to prime real estate — most students prefer to live as close to campus as possible — that it doesn’t have to buy. (In this case, the school is offering up a long-term land lease.) It also gets to collect rent from students, who, thanks to student loans and the bank of mom and dad, are less likely to be tardy with their payments.

The developer will likely fill every room. Most schools don’t currently have enough on-campus beds to meet demand and enrollment is expected to surge in coming years as more students pursue college degrees. Plus, schools with too many beds can always require, for example, freshmen and sophomores to live on campus, if they don’t already.

In exchange, the school gets brand new space that it doesn’t have to pay for, freeing up money for classroom and lab space and other important spending. Like many universities nationwide,

the University of Kentucky is saddled with outdated dormitories that it can't afford to replace. That's making them less competitive: More students today say they're picking schools based, in part, on living space.

"For universities to compete, they have to offer at least some housing that's current with the times," said Alexander Goldfarb, a senior REIT analyst who covers student housing for Sandler O'Neill + Partners. "The cinderblock Soviet style housing of the '50s and '60s just doesn't cut it."

We're [written stories](#) about developers adding resort-style pools and tanning beds to attract students. Don't expect such lavish on-campus offerings in the Bluegrass State: University of Kentucky President Eli Capilouto's mission isn't to pamper his students.

Modern facilities "will meet our promise to the Commonwealth of Kentucky that we're going to attract the best and brightest and we're going to ensure that everybody graduates from this university regardless of their capabilities when they got here," he said.

Of course, not every developer wants to be on campus. Campus Crest Communities, a publicly traded company, says it would rather own its land and developments and set its own rental rates. "We'll take the site that's not on campus, but next to campus," said Michael S. Hartnett, the Charlotte, N.C., company's chief investment officer. "That, ultimately, creates better value for shareholders."

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## **Education Realty Trust Selected by the University of Kentucky to Negotiate University's Housing Revitalization and Expansion**

*Company Negotiating Management of UK's On-Campus Housing and Initial Development of 600-Bed, On-Campus Community through The ONE Plan<sup>SM</sup>*

*MEMPHIS, Tenn. December 14, 2011*— Education Realty Trust Inc. (NYSE:EDR), one of the nation's largest developers, owners and managers of collegiate housing, was selected to negotiate the potential revitalization and expansion of more than 9,000 residence hall beds over the next seven to 10 years at the University of Kentucky (UK).

Phase I includes EDR assuming management of all the university's 6,000-bed housing on July 1, 2012, and the development, construction and ownership of a 600-bed, on-campus undergraduate honors housing community, to be available for occupancy by August 2013.

EDR is currently negotiating this first phase of UK's on-campus revitalization which is part of "The Kentucky Promise" — an initiative to revitalize the core of campus, enhance undergraduate education, offer more opportunities to young Kentuckians through scholarships, and continue a nearly 150-year legacy of education, research and service to the Commonwealth.

"We are honored the University of Kentucky selected us to potentially partner with them for what we expect will be the largest on-campus housing revitalization in the U.S.," said Randy Churchey, president and chief executive officer of EDR.

Upon completion of Phase I, UK may enter into a new agreement with EDR to proceed with Phase II after the university requests and receives legislative authority.

In Phase II, planned phases of construction and demolition will add modern accommodations and attractive new living communities to the UK campus. Upon completion of both phases in the next seven to 10 years, UK's total bed count is anticipated to be close to 9,000 beds which will be privately funded and owned on land leased from the university.

This project will be financed through EDR's On-Campus Equity plan —The ONE Plan<sup>SM</sup>.

"With The ONE Plan, our company uses its equity and financial stability to fund projects on university land," said Tom Trubiana, EDR's executive vice president and chief investment officer. "This gives the university access to a single trusted partner, and helps create substantial long-term financial benefits for both partners."

The Lexington region also will see financial benefits from this work.

"EDR is committed to maximizing Lexington and Kentucky resources in many areas including design, construction and management," said Trubiana. "On the construction side, EDR will partner with qualified, experienced, local and regional consultants who we believe have the capabilities to accomplish the significant design and construction tasks on schedule. We will also employ area residents in the long-term operations and management of the communities."

#### **About Education Realty Trust**

Education Realty Trust Inc. (NYSE:EDR) is one of America's largest owners, developers and managers of collegiate housing. EDR is a self-administered and self-managed real estate investment trust that owns or manages 60 communities in 23 states with nearly 34,500 beds within nearly 11,000 units. For more information please visit the company's web site at [www.educationrealty.com](http://www.educationrealty.com).

#### **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

Statements about the company's business that are not historical facts are "forward-looking statements." Forward-looking statements are based on current expectations. You should not rely on our forward-looking statements because the matters they describe are subject to known and unknown risks and uncertainties that could cause the company's future results, performance, or achievements to differ significantly from the results, performance, or achievements expressed or implied by such statements. Such risks are set forth under the captions "Item 1A. Risk Factors" and "Forward-Looking Statements" in our annual report on Form 10-K and under the caption "Item 2. Management's Discussion and Analysis of Financial Condition and Results of

Operations" (or similar captions) in our quarterly reports on Form 10-Q, and as described in our other filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the dates on which they are made, and the company undertakes no obligation to update publicly or revise any guidance or other forward-looking statement, whether as a result of new information, future developments, or otherwise.