AMERICAN CAMPUS COMMUNITIES INC
Form 10-K
March 01, 2013

UNITED STATES

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

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

For the fiscal year ended December 31, 2012.

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.)	76-0753089 (American Campus Communities, Inc.) 56-2473181 (American Campus Communities Operating Partnership, L.P.)
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
12700 Hill Country Blvd., Suite T-200 Austin, TX (Address of Principal Executive Offices)	78738 (Zip Code)

(512) 732-1000

(Registrant’s telephone number, including area code)

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

(Title of Each Class)	(Name of Each Exchange on Which Registered)
Common Stock, $.01 par value	New York Stock Exchange

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

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

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

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

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

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 x Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was $2,964,531,360 based on the last sale price of the common equity on June 29, 2012 which is the last business day of the Company's most recently completed second quarter.

There were 104,665,212 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, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference from the definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2012 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, 2012, 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, 2012, ACC owned an approximate 98.8% 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 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, as disclosed in this report. 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.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

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, 2012, 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, 2012, ACC owned an approximate 98.8% 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, 2012, our total owned and third-party managed portfolio included 187 properties with approximately 121,300 beds in approximately 40,900 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 2012, we acquired 40 off-campus properties containing 8,213 units and 23,075 beds for a combined purchase price of $1,781.2 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 2012, we completed the final stages of construction on five owned off-campus properties and six on-campus American Campus Equity ("ACE®") properties containing 1,915 units and 6,703 beds. In addition, as of December 31, 2012, we were in the process of constructing six owned off-campus properties, three ACE on-campus properties and an additional phase at an existing off-campus property. These properties are summarized in the table below:

Project	Project Type	Location	Primary University Served	Units	Beds	Estimated Project Cost	Total Costs Incurred	Scheduled to Open for Occupancy
Manzanita Hall	ACE	Tempe, AZ	Arizona State University	241	816	$50,300	$19,197	August 2013
The Callaway House	Off-campus	Austin, TX	The University of Texas at Austin	219	753	61,600	27,053	August 2013
Chestnut Square	ACE	Philadelphia, PA	Drexel University	220	861	97,600	47,408	September 2013
U Club Townhomes on Woodward	Off-campus	Tallahassee, FL	Florida State University	112	448	29,000	17,519	August 2013
Townhomes at Overton Park	Off-campus	Lubbock, TX	Texas Tech University	112	448	29,200	19,492	August 2013
601 Copeland	Off-campus	Tallahassee, FL	Florida State University	81	283	21,200	6,529	August 2013
University View (PVAMU Phase VII)	ACE	Prairie View, TX	Prairie View A&M University	96	336	15,600	4,409	August 2013
The Plaza on University	Off-campus	Orlando, FL	University of Central Florida	364	1,313	112,300	29,924	August 2014
Townhomes at Newtown Crossing (1)	Off-campus	Lexington, KY	University of Kentucky	152	608	38,750	15,373	August 2013
The Lodges of East Lansing Phase II (2)	Off-campus	East Lansing, MI	Michigan State University	144	366	23,975	7,664	August 2013
				1,741	6,232	$479,525	$194,568	

(1) We did not own this property as of December 31, 2012 but are obligated to purchase the property as long as the developer meets certain construction completion deadlines and other closing conditions.

(2) We did not own this additional phase at an existing property as of December 31, 2012 but are obligated to purchase the additional phase as long as the developer meets certain construction completion deadlines and other closing conditions.

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 off-campus 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 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. 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 multi-year management agreements and are paid a management fee representing 5% of 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, 2012, we had approximately 2,913 employees, consisting of:

approximately 1,906 on-site employees in our wholly-owned properties segment, including 822 Resident Assistants;
approximately 98 on-site employees in our on-campus participating properties segment, including 43 Resident Assistants;
approximately 778 employees in our property management services segment, including 655 on-site employees and 123 corporate office employees;

approximately 46 corporate office employees in our development services segment; and
approximately 85 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.

Our website is located at 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," "e
"project," "should," "will," "result" and similar expressions, do not relate solely to historical matters and are intended t
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 to be 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 effect 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, 2012, our total consolidated indebtedness was approximately $2,134.5 million (excluding unamortized 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 facility. 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 condition 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 February 2011, the Obama administration released a report calling for the winding down of the role Fannie Mae and Freddie Mac play in the mortgage market. 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, 2012, we were in the process of constructing eight wholly-owned properties. 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.

We rely on information technology in our operations, and any breach, interruption or security failure of that technology could have a negative impact to our business and/or financial condition.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or breach of our operational or information security systems, or those of our third party service providers, as a result of cyber-attacks or information security breaches could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, and/or subject us to possible financial liabilities, any of which could have a negative impact on our financial condition and 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. Our on-campus participating properties and our third-party services are held by a TRS. Consequently, income earned from our 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 capacitates 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, 2012.

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 and in-unit washers and dryers. The Callaway House, The Castilian and The Callaway House - Austin also have 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, 2012 Revenue	Average Monthly Revenue/ Bed (1)
WHOLLY-OWNED PROPERTIES						
The Village at Blacksburg	1990/ 1998	Dec-00	Virginia Polytechnic Institute and State University	12	$ 5,572	$ 426
The Callaway House	1999	Mar-01	Texas A&M University	9	8,093 (3)	1,248 (3)
The Village at Alafaya Club	1999	Jul-00	The University of Central Florida	12	6,312	592
The Village at Science Drive	2000	Nov-01	The University of Central Florida	12	5,595	612
University Village at Boulder Creek	2002	Aug-02	The University of Colorado at Boulder	12	3,072	793
University Village - Fresno	2004	Aug-04	California State University – Fresno	12	2,682	511
University Village	2004	Aug-04	Temple University	12	6,595	717
University Village at Sweet Home	2005	Aug-05	State University of New York – Buffalo	12	6,378	648
University Club Townhomes (4)	2000/ 2002	Feb-05	Florida State University	12	5,200	485
College Club Townhomes (4)	2001	Feb-05	Florida A&M University	12	3,289	389
University Club Apartments	1999	Feb-05	University of Florida	12	2,168	467
The Estates	2002	Mar-05	University of Florida	12	6,882	534
City Parc at Fry Street	2004	Mar-05	University of North Texas	12	3,056	596
Entrada Real	2000	Mar-06	University of Arizona	12	2,662	574
University Village - Tallahassee (5)	1990/91/ 92	Mar-06	Florida State University	12	4,228	472
Royal Village - Gainesville	1996	Mar-06	University of Florida	12	2,793	501

Northgate Lakes	1997/98	Mar-06	The University of Central Florida	12	5,155	586
Royal Lexington	1994	Mar-06	The University of Kentucky	12	2,133	458
The Woods at Greenland	2001	Mar-06	Middle Tennessee State University	12	1,426	416
Raider’s Crossing	2002	Mar-06	Middle Tennessee State University	12	1,508	445
Raiders Pass	2002/03	Mar-06	Texas Tech University	12	4,531	470
Aggie Station	2003	Mar-06	Texas A&M University	12	2,962	536
The Outpost - San Marcos	2003/04	Mar-06	Texas State University – San Marcos	12	3,083	511
The Outpost - San Antonio	2005	Mar-06	University of Texas – San Antonio	12	5,717	563

Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2012 Revenue	Average Monthly Revenue/ Bed (1)	2012 Average Occupancy (2)
Callaway Villas	2006	Aug-06	Texas A&M University	12	$ 6,065	$ 740	91.3%
The Village on Sixth Avenue	2000/06	Jan-07	Marshall University	12	4,169	460	95.8%
Newtown Crossing	2005/07	Feb-07	University of Kentucky	12	6,510	562	99.3%
Olde Towne University Square	2005	Feb-07	University of Toledo	12	3,958	577	99.8%
Peninsular Place	2005	Feb-07	Eastern Michigan University	12	2,950	478	99.1%
University Centre	2007	Aug-07	Rutgers University, NJIT, Essex CCC	9/12	7,238	793	85.8%
Sunnyside Commons	1925/ 2001	Feb-08	West Virginia University	12	913	439	100.6%
Pirates Place Townhomes	1996	Feb-08	East Carolina University	12	2,362	362	92.6%
The Highlands	2004	June-08	University of Nevada at Reno	12	4,010	445	97.9%
The Summit & Jacob Heights (5)	2003-2006	June-08	Minnesota State University	12	5,270	456	98.3%
GrandMarc Seven Corners	2000	June-08	University of Minnesota	12	4,648	632	125.2%
University Village – Sacramento	1979	June-08	California State University – Sacramento	12	2,892	573	103.4%
Aztec Corner	1995	June-08	San Diego State University	12	4,592	607	98.5%
University Crossings	1926/ 2003	June-08	University of Pennsylvania / Drexel	12	8,831	599	99.3%
Campus Corner	1997	June-08	Indiana University	12	4,528	461	97.6%
Tower at 3rd	1973	June-08	University of Illinois	12	3,296	682	98.9%
University Mills	2002	June-08	University of Northern Iowa	12	2,480	416	97.6%
University Manor	2002	June-08	East Carolina University	12	2,830	386	95.4%

University Pines	2001	June-08	Georgia Southern University	12	2,933	439	94.1%
Lakeside	1991	June-08	University of Georgia	12	3,746	373	96.9%
The Club	1989	June-08	University of Georgia	12	2,052	336	97.8%
The Edge -Orlando	1999	June-08	The University of Central Florida	12	7,172	597	99.2%
University Place	2003	June-08	University of Virginia	12	2,374	400	89.7%
South View	1998	June-08	James Madison University	12	5,403	467	98.3%
Stone Gate	2000	June-08	James Madison University	12	3,691	471	95.5%
The Commons	1991	June-08	James Madison University	12	2,457	391	95.3%
University Gables	2001	June-08	Middle Tennessee State University	12	2,992	372	95.3%
Campus Ridge	2003	June-08	East Tennessee State University	12	2,377	382	92.6%

Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2012 Revenue	Average Monthly Revenue/Bed (1)	2012 Average Occupancy (2)	Occup as o 12/31
The Enclave	2002	June-08	Bowling Green State University	12	$ 1,760	$ 293	98.9%	99
Hawks Landing	1994	June-08	Miami University of Ohio	12	2,430	412	99.0%	98
Willowtree Apartments & Towers (4)	1968/ 1974	June-08	University of Michigan	12	4,909	476	98.2%	99
Abbott Place	1999	June-08	Michigan State University	12	3,719	458	99.3%	99
The Centre	2004	June-08	Western Michigan University	12	3,451	395	99.2%	99
University Meadows	2001	June-08	Central Michigan University	12	2,876	401	92.6%	98
Campus Way	1993	June-08	University of Alabama	12	3,828	447	98.1%	98
University Pointe	2004	June-08	Texas Tech University	12	4,621	554	97.9%	97
University Trails	2003	June-08	Texas Tech University	12	4,326	520	97.5%	96
Vista del Sol - ACE	2008	Aug-08	Arizona State University	12	16,281	667	97.7%	95
Villas at Chestnut Ridge	2008	Aug-08	State University of New York – Buffalo	12	4,799	715	98.6%	96
Barrett Honors– ACE	2009	Aug-09	Arizona State University	9	12,745	803	96.3%	96
University Heights	2001	Mar-10	University of Alabama at Birmingham	12	2,828	414	99.1%	99
Sanctuary Lofts	2008	July-10	Texas State University	12	4,066	621	98.1%	98
Lion's Crossing	1996	Sep-10	Penn State University	12	4,890	515	99.3%	99
Nittany Crossing	1996/97	Sep-10	Penn State University	12	4,465	501	99.1%	99
State College Park	1991	Sep-10	Penn State University	12	4,688	478	99.4%	99
The View	2003	Sep-10	University of Nebraska	12	2,578	344	99.8%	99
Chapel Ridge	2003	Sep-10	UNC – Chapel Hill	12	4,022	618	96.7%	98
Chapel View	1986/	Sep-10	UNC – Chapel Hill	12	2,875	652	98.4%	98

	2003							
University Oaks	2004	Sep-10	University of South Carolina	12	4,114	495	98.9%	99
Blanton Common	2005/07	Sep-10	Valdosta State University	12	4,353	416	92.4%	84
Burbank Commons	1995	Sep-10	Louisiana State University	12	2,863	438	97.3%	97
University Crescent	1999	Sep-10	Louisiana State University	12	4,048	534	98.0%	97
University Greens	1999	Sep-10	University of Oklahoma	12	2,583	409	94.1%	98
The Edge – Charlotte	2000	Nov-10	University of North Carolina at Charlotte	12	4,156	463	98.9%	98
University Walk	2002	Nov-10	University of North Carolina at Charlotte	12	2,944	489	99.1%	99
Uptown	2004	Nov-10	University of North Texas	12	3,825	585	97.8%	97
2nd Avenue Centre	2008	Dec-10	University of Florida	12	5,574	521	99.3%	99

20

Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2012 Revenue	Average Monthly Revenue/ Bed (1)	2012 Average Occupancy (2)
Campus Trails	1991	June-08	Mississippi State University	12	$ 2,311	$ 394	98.5%
Villas at Babcock	2011	Aug-11	University of Texas – San Antonio	12	5,461	554	98.6%
Lobo Village - ACE	2011	Aug-11	University of New Mexico	12	5,524	505	99.1%
Villas on Sycamore	2011	Aug-11	Sam Houston State University	12	3,956	468	96.8%
University Village - ACE	2011	Aug-11	Prairie View A&M University	9	812	598	99.9%
Eagles Trail	2007	Sep-11	Univ. of Southern Mississippi	12	3,246	400	78.3%
26 West	2008	Dec-11	University of Texas - Austin	12	9,938	718	98.4%
The Varsity	2011	Dec-11	University of Maryland	12	11,021	940	91.9%
Subtotal – Same Store Wholly-Owned Properties (6)					386,717	532	97.2%
University Heights (7)	1999	Jan-12	University of Tennessee	12	3,055	417	90.2%
Avalon Heights (7)	2002	May-12	University of South Florida in Tampa	12	3,037	486	98.9%
University Commons (7)	2003	June-12	University of Minnesota in Minneapolis	12	2,163	615	109.2%
University Pointe at College Station – ACE (8)	2012	Sep-12	Portland State University	12	2,233	649	88.8%
Casas del Rio – ACE (8)	2012	Aug-12	University of New Mexico	10	2,671	571	99.4%
The Suites – ACE (8)	2012	Aug-12	Northern Arizona University	10	1,634	636	99.4%
Hilltop Townhomes - ACE (8)	2012	Aug-12	Northern Arizona University	12	1,657	589	99.1%
U Club on Frey (8)	2012	Aug-12	Kennesaw State University	12	1,223	578	99.1%
Campus Edge on UTA Boulevard (8)	2012	Aug-12	University of Texas - Arlington	12	1,375	588	99.4%
U Club Townhomes on Marion Pugh (8)	2012	Aug-12	Texas A&M University	12	1,728	577	99.3%

Villas on Rensch (8)	2012	Aug-12	University at Buffalo	12	1,949	699	98.9%
The Village at Overton Park (8)	2012	Aug-12	Texas Tech University	12	1,783	618	98.6%
Casa de Oro - ACE (8)	2012	Aug-12	Arizona State University	12	573	616	55.3%
The Villas at Vista del Sol – ACE (8)	2012	Aug-12	Arizona State University	12	1,335	667	99.1%
University Edge (7)	2012	Dec-12	Kent State University	12	1,688	598	89.5%
The Block (7)	2007/ 2008	Aug-12	The University of Texas at Austin	12	6,604	857	98.4%
309 Green (7)	2008	Sept-12	University of Illinois	12	1,249	849	90.4%

21

Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2012 Revenue	Average Monthly Revenue/ Bed (1)
The Retreat (7)	2012	Sept-12	Texas State University	12	$ 1,610	$ 601
Lofts 54 (7)	2008	Sept-12	University of Illinois	12	421	695
Campustown Rentals (7)	1920-1987	Sept-12	University of Illinois	12	1,359	500
Chauncey Square (7)	2007/ 2012	Sept-12	Purdue University	12	1,153	752
Vintage West Campus (7)	2009	Sept-12	The University of Texas at Austin	12	463	795
Texan West Campus (7)	2005	Sept-12	The University of Texas at Austin	12	585	698
The Castilian (7)	1967	Sept-12	The University of Texas at Austin	9	2,736(3)	1,008
Bishops Square (7)	2002	Sept-12	Texas State University	12	637	569
Union (7)	2007	Sept-12	Baylor University	12	263	590
922 Place (7)	2009	Sept-12	Arizona State University	12	845	720
Campustown (7)	1910-2004	Sept-12	Iowa State University	12	2,285	487
River Mill (7)	1972	Sept-12	University of Georgia	12	762	532
Garnet River Walk (7)	2006	Sept-12	University of South Carolina	12	1,053	600
Landmark (7)	2012	Sept-12	University of Michigan	12	2,418	1,008
Icon Plaza (7)	2012	Sept-12	University of Southern California	12	1,280	1,246
The Province – Greensboro (7)	2011	Nov-12	University of North Carolina at Greensboro	12	397	610
RAMZ Apartments on Broad (7)	2004	Nov-12	Virginia Commonwealth University	12	152	738
The Lofts of Capital Garage (7)	2000	Nov-12	Virginia Commonwealth University	12	54	443

Forest Village & Woodlake (7)	1982/ 1983	Nov-12	University of Missouri	12	212	300
25Twenty (7)	2011	Nov-12	Texas Tech University	12	380	727
The Province -Louisville (7)	2009	Nov-12	University of Louisville	12	548	656
West 27th Place (7)	2011	Nov-12	University of Southern California	12	548	1,005
The Province - Rochester (7)	2010	Nov-12	Rochester Institute of Technology	12	656	798
5 Twenty Four and 5 Twenty Five Angliana (4) (7)	2009/ 2012	Nov-12	University of Kentucky	12	569	631
The Province -Tampa (7)	2009	Nov-12	University of South Florida	12	561	659

Property	Year Built	Date Acquired/ Developed	Primary University Served	Typical Lease Term (Mos)	Year Ended December 31, 2012 Revenue	Average Monthly Revenue/ Bed (1)	2012 Avera Occupa (2)
U Pointe Kennesaw (7)	2012	Nov-12	Kennesaw State University	12	$ 459	$ 653	83
The Cottages of Columbia (7)	2008	Nov-12	University of Missouri	12	310	557	98
Grindstone Canyon (7)	2003	Nov-12	University of Missouri	12	241	540	99
The Cottages of Durham (7)	2012	Nov-12	University of New Hampshire	12	441	684	99
The Province – Fairborn (7)	2009	Nov-12	Wright State University	12	318	555	84
The Cottages of Baton Rouge (7)	2011	Nov-12	Louisiana State University	12	923	663	97
U Club Cottages (7)	2011	Nov-12	Louisiana State University	12	219	677	99
The Lodges of East Lansing (7)	2011	Nov-12	Michigan State University	12	492	692	98
The Callaway House Austin & The Penthouse at Callaway (9)	2013	Aug-13	The University of Texas at Austin	12	66	n/a	
Chestnut Square - ACE (9)	2013	Sept-13	Drexel University	12	205	n/a	
Townhomes at Overton Park (9)	2013	Aug-13	Texas Tech University	12	2	n/a	
601 Copeland (9)	2013	Aug-13	Florida State University	12	30	n/a	
U Club on Woodward (10)	2013	Nov-11	Florida State University	12	349	341	26.2%
The Plaza on University (11)	2014	Aug-11	University of Central Florida	12	981	n/a	n/a
Subtotal – New Wholly-Owned Properties					62,940	629	92
Total – Wholly-Owned Properties					449,657	543	96
ON-CAMPUS PARTICIPATING PROPERTIES							
University Village – PVAMU	1996/ 97/98	Aug-96 Aug-98	Prairie View A&M University	9	10,276	552	98
University College – PVAMU	2000/ 2003	Aug-00 Aug-03	Prairie View A&M University	9	7,413	549	96

University Village – TAMIU	1997	Aug-97	Texas A&M International University	9	1,469	553	97
Cullen Oaks	2001/ 2005	Aug-01 Aug-05	The University of Houston	9	7,008	768	99
Total - On-Campus Participating Properties					26,166	594	81
Grand Total- All Properties					$ 475,823	$ 545	95

(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, 2012 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, 2012 divided by total beds. For on-campus participating properties, average occupancy is calculated based on the nine month academic year (excluding the summer months).

(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 and 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) Our same store wholly-owned portfolio represents properties that were owned by us for the full year ended December 31, 2012.

(7) These properties were acquired in 2012. Average occupancy is calculated based on the period these properties were owned and operated by us in 2012.

(8) These properties commenced operations in 2012. Average occupancy is calculated based on the period these properties were operational during 2012.

(9) These properties are currently under development with scheduled completion dates of August or September 2013.

(10) Formerly Studio Green, this property was acquired in November 2011 and was operational during 2012 until redevelopment of this property commenced in June 2012, with a scheduled completion date of August 2013.

(11) Formerly University Shoppes at Orlando, an existing retail center when it was acquired in August 2011, was operational during 2012 until redevelopment of this property commenced in November 2012, with a scheduled completion date of August 2014.

Item 3. Legal Proceedings

We are subject to various claims, lawsuits and legal proceedings, including the matter discussed in Note 17 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, as well as other matters 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. [Removed and Reserved]

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, 2011	$ 33.84	$ 30.60	$ 0.3375
Quarter ended June 30, 2011	$ 35.93	$ 32.09	$ 0.3375
Quarter ended September 30, 2011	$ 41.09	$ 32.57	$ 0.3375
Quarter ended December 31, 2011	$ 42.63	$ 35.28	$ 0.3375
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

Holders

As of February 17, 2013, there were approximately 31,300 holders of record of the Company's common stock and 104,665,212 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,				
	2012	2011	2010	2009	2008
Statements of Operations Information:					
Revenues	$491,290	$386,767	$326,110	$286,951	$218,424
Income (loss) from continuing operations	56,746	41,581	22,009	108	(9,221)
Discontinued operations:					
Income (loss) attributable to discontinued operations	771	1,585	(1,206)	(3,210)	(3,598)
Loss from early extinguishment of debt	(1,591)	-	-	-	-
Gain (loss) from disposition of real estate	4,312	14,806	(3,705)	(9,358)	-
Net income (loss)	60,238	57,972	17,098	(12,460)	(12,819)
Net income attributable to noncontrolling interests	(3,602)	(1,343)	(888)	(380)	(236)
Net income (loss) attributable to common shareholders	56,636	56,629	16,210	(12,840)	(13,055)
Per Share and Distribution Data:					
Earnings per diluted share:					
Income (loss) from continuing operations	$0.61	$0.57	$0.34	$(0.03)	$(0.27)
Discontinued operations	0.04	0.23	(0.08)	(0.25)	(0.09)
Net income (loss)	0.65	0.80	0.26	(0.28)	(0.36)
Cash distributions declared per share / unit	1.35	1.35	1.35	1.35	1.35
Cash distributions declared	117,592	93,813	76,579	64,492	50,563
Balance Sheet Data:					
Total assets	$5,118,962	$3,008,582	$2,693,484	$2,234,981	$2,183,909
Secured mortgage, construction and bond debt	1,509,105	858,530	1,144,103	1,029,455	1,162,221
Term loans and credit facilities	712,000	589,000	201,000	194,000	114,700
Capital lease obligations	149	450	911	2,314	2,555
Stockholders' equity	2,648,381	1,375,216	1,213,962	899,030	785,119
Selected Owned Property Information:					
Owned properties	160	116	104	85	86

Units	31,854	22,947	20,820	17,008	17,212
Beds	98,840	71,801	64,933	52,118	52,817
Occupancy as of December 31,	95.7 %	97.8 %	98.0 %	96.2 %	92.4 %
Net cash provided by operating activities	$203,038	$131,033	$115,949	$80,443	$36,395
Net cash used in investing activities	(1,479,815)	(440,298)	(244,492)	(123,528)	(435,275)
Net cash provided by financing activities	1,275,832	218,157	175,957	83,578	412,407
Funds From Operations (“FFO”) (1) (2):					
Net income (loss) attributable to common shareholders	$56,636	$56,629	$16,210	$(12,840)	$(13,055)
Noncontrolling interests	1,205	1,343	888	380	236
(Gain) loss from disposition of real estate	(4,312)	(14,806)	3,705	9,358	-
Income (loss) from unconsolidated joint ventures	(444)	641	2,023	2,073	1,619
FFO from unconsolidated joint ventures	429	(576)	(1,195)	246	(487)
Real estate related depreciation and amortization	114,841	87,951	75,667	75,814	56,459
Elimination of provision for asset impairment (3)	-	1,105	5,450	464	-
Funds from operations	$168,355	$132,287	$102,748	$75,495	$44,772

(1) 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), 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.

(2) 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 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.

(3) In October 2011, NAREIT issued guidance directing member companies to exclude impairment write-downs of depreciable real estate from the calculation of FFO. Previously, we had included such charges in the calculation of FFO. In order to conform to the current NAREIT guidance, we have revised the calculation of FFO for all periods presented to exclude such impairment charges.

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, 2012, our property portfolio contained 160 properties with approximately 98,800 beds in approximately 31,800 apartment units. Our property portfolio consisted of 143 owned off-campus student housing properties that are in close proximity to colleges and universities, 13 ACE properties operated under ground/facility leases with six university systems and four on-campus participating properties operated under ground/facility leases with the related university systems. Of the 160 properties, nine were under development as well as an additional phase under development at an existing property as of December 31, 2012, and when completed will consist of a total of approximately 6,200 beds in approximately 1,700 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, 2012, we were under contract on three third-party development projects that are currently in progress and whose fees range from $2.3 million to $3.2 million. As of December 31, 2012, fees of approximately $3.5 million remained to be earned by us with respect to these projects, which have scheduled completion dates of August 2013 through August 2014.

As of December 31, 2012, we also provided third-party management and leasing services for 27 properties that represented approximately 22,500 beds in approximately 9,100 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, 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 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, 2012 and December 31, 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 (%)
Revenues:				
Wholly-owned properties	$448,052	$345,411	$102,641	29.7 %
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	491,290	386,767	104,523	27.0 %
Operating expenses:				
Wholly-owned properties	210,307	163,857	46,450	28.3 %
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	115,884	86,229	29,655	34.4 %
Ground/facility leases	4,248	3,608	640	17.7 %
Total operating expenses	375,375	287,994	87,381	30.3 %
Operating income	115,915	98,773	17,142	17.4 %
Nonoperating income and (expenses):				
Interest income	1,760	582	1,178	202.4 %
Interest expense	(56,577)	(51,593)	(4,984)	9.7 %
Amortization of deferred financing costs	(4,482)	(5,107)	625	(12.2 %)
Income (loss) from unconsolidated joint ventures	444	(641)	1,085	(169.3 %)
Other nonoperating income	411	-	411	100.0 %
Total nonoperating expenses	(58,444)	(56,759)	(1,685)	3.0 %
Income before income taxes and discontinued operations	57,471	42,014	15,457	36.8 %
Income tax provision	(725)	(433)	(292)	67.4 %
Income from continuing operations	56,746	41,581	15,165	36.5 %
Discontinued operations:				
Income attributable to discontinued operations	771	1,585	(814)	(51.4 %)
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	3,492	16,391	(12,899)	(78.7 %)
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 %

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.

	Same Store Properties Year Ended December 31,		New Properties (1) Year Ended December 31,		Total - All Properties (1) Year Ended December 31,	
	2012	2011	2012	2011	2012	2011
Number of properties	88	88	59	8	147	96
Number of beds	52,632	52,632	35,457	5,679	88,089	58,311
Revenues (2)	$344,447	$335,465	$105,210	$11,299	$449,657	$346,764
Operating expenses	159,986	157,084	50,321	6,773	210,307	163,857

(1) Does not include properties under construction as of December 31, 2012. Number of properties and number of 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.

(2) 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 ––—96.9% during the year ended December 31, 2011 to 96.5% during the year ended December 31, 2012. Future revenues will be dependent on our ability to maintain our current leases in effect for the 2012/2013 academic year and our ability to obtain appropriate rental rates and desired occupancy for the 2013/2014 academic year at our various properties during our leasing period, which typically begins in January and ends in August.

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. We anticipate that operating expenses for our same store property portfolio for 2013 will increase slightly as compared with 2012 as a result of general inflation.

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. We anticipate that operating expenses in 2013 will increase slightly as compared with 2012 as a result of general inflation.

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. We anticipate that third-party development services revenue in 2013 will decrease significantly as compared to 2012 as a result of fewer currently outstanding awarded projects in this business segment.

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 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. We anticipate that revenue earned in 2013 from newly awarded management contracts will be offset by the discontinuance of other existing management contracts, resulting in 2013 third-party management revenue that is consistent with 2012 levels.

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. We anticipate that third-party development and management services expenses will continue to decrease in 2013 for these same reasons.

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 $7.4 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. We anticipate that general and administrative expenses will decrease in 2013 as compared to 2012, primarily due to acquisition costs incurred in 2012 that are not expected to be incurred in 2013.

Depreciation and Amortization

Depreciation and amortization increased by approximately $29.7 million, from $86.2 million during the year ended December 31, 2011 to $115.9 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. We expect depreciation and amortization expense to increase significantly in 2013 as a result of 2012 property acquisitions and the completion of seven owned development projects in August and September 2013.

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. We anticipate ground/facility leases expense to increase in 2013 as compared to 2012 due to the planned completion of construction on three ACE development projects in August and September 2013 and the timing of ACE development projects placed into service 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 income may decrease in 2013 as compared to 2012 due to the potential payoff of the loan made to the noncontrolling partner in The Varsity during 2013 (see Note 5 for more details).

Interest Expense

Interest expense increased by approximately $5.0 million, from $51.6 million during the year ended December 31, 2011 to $56.6 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. We anticipate that interest expense will increase in 2013 as compared to 2012 as a result of an anticipated bond offering during 2013, as well as a full year of interest expense incurred on the loans assumed in connection with the 2012 property acquisitions. These anticipated increases will be offset by a decrease in interest expense related to the payoff of mortgage debt in 2012 and loans that are scheduled to mature in 2013.

Amortization of Deferred Financing Costs

Amortization of deferred financing costs decreased approximately $0.6 million, from $5.1 million during the year ended December 31, 2011 to $4.5 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. We anticipate that amortization of deferred financing costs will increase in 2013 as compared to 2012 as a result of loans assumed in connection with 2012 property acquisitions.

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. We expect our income tax liability to increase in 2013 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) Brookstone Village and Campus Walk, wholly-owned properties sold in December 2012 for a combined sales price of $26.6 million, (ii) Pirates Cove, sold in April 2012 for a sales price of $27.5 million, (iii) Campus Club – Statesboro, sold in May 2011 for a sales price of $34.5 million; (iv) Villas on Apache, sold in April 2011 for a sales price of $14.8 million, (v) River Club Apartments, sold in April 2011 for a sales price of $23.0 million; and (vi) River Walk Townhomes, sold in April 2011 for a sales price of $9.7 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, 2011 and December 31, 2010

The following table presents our results of operations for the years ended December 31, 2011 and 2010, including the amount and percentage change in these results between the two periods.

	Year Ended December 31, 2011	2010	Change($)	Change(%)
Revenues:				
Wholly-owned properties	$ 345,411	$ 282,866	$ 62,545	22.1 %
On-campus participating properties	25,252	23,975	1,277	5.3 %
Third-party development services	7,497	9,302	(1,805)	(19.4 %)
Third-party management services	7,254	8,670	(1,416)	(16.3 %)
Resident services	1,353	1,297	56	4.3 %
Total revenues	386,767	326,110	60,657	18.6 %
Operating expenses:				
Wholly-owned properties	163,857	133,216	30,641	23.0 %
On-campus participating properties	10,180	10,492	(312)	(3.0 %)
Third-party development and management services	11,368	12,781	(1,413)	(11.1 %)
General and administrative	12,752	11,561	1,191	10.3 %
Depreciation and amortization	86,229	72,444	13,785	19.0 %
Ground/facility leases	3,608	2,944	664	22.6 %
Total operating expenses	287,994	243,438	44,556	18.3 %
Operating income	98,773	82,672	16,101	19.5 %
Nonoperating income and (expenses):				
Interest income	582	186	396	212.9 %
Interest expense	(51,593)	(59,523)	7,930	(13.3 %)
Amortization of deferred financing costs	(5,107)	(4,423)	(684)	15.5 %
Loss from unconsolidated joint ventures	(641)	(2,023)	1,382	(68.3 %)
Other nonoperating income	-	5,690	(5,690)	(100 %)
Total nonoperating expenses	(56,759)	(60,093)	3,334	(5.5 %)
Income before income taxes and discontinued operations	42,014	22,579	19,435	86.1 %
Income tax provision	(433)	(570)	137	(24.0 %)
Income from continuing operations	41,581	22,009	19,572	88.9 %
Discontinued operations:				
Income (loss) attributable to discontinued operations	1,585	(1,206)	2,791	(231.4 %)
Gain (loss) from disposition of real estate	14,806	(3,705)	18,511	(499.6 %)
Total discontinued operations	16,391	(4,911)	21,302	(433.8 %)
Net income	57,972	17,098	40,874	239.1 %
Net income attributable to noncontrolling interests	(1,343)	(888)	(455)	51.2 %
Net income attributable to common shareholders	$ 56,629	$ 16,210	$ 40,419	249.3 %

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. The results below include the results of Brookstone Village and Campus Walk, which were sold in October 2012 and are reflected within discontinued operations in the accompanying consolidated statements of comprehensive income. These two properties had revenues of $3.6 million and $3.2 million for the years ended December 31, 2011 and 2010, respectively, and operating expenses of $1.7 million for both of the years ended December 31, 2011 and 2010, respectively.

	Same Store Properties Year Ended December 31,		New Properties (1) Year Ended December 31,		Total - All Properties (1) Year Ended December 31,	
	2011	2010	2011	2010	2011	2010
Number of properties	73	73	27	18	100	91
Number of beds	42,743	42,743	16,780	10,897	59,523	53,640
Revenues (2)	$277,034	$266,946	$73,280	$20,383	$350,314	$287,329
Operating expenses	127,173	124,321	38,374	10,528	165,547	134,849

(1) Does not include properties under construction as of December 31, 2011.

(2) 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 2010/2011 and 2011/2012 academic years, as well as an increase in average occupancy from 95.7% during the year ended December 31, 2010 to 96.7% during the year ended December 31, 2011. The increase in operating expenses for our same store properties was primarily due to increased utility, maintenance, and payroll costs incurred during 2011 as compared to 2010, offset by a decrease in property tax expense during 2011 due to the successful resolution of property tax appeals for certain of our same store properties for tax years ranging from 2009 to 2011.

New Properties. Our new properties for the year ended December 31, 2011 consisted of the following: (i) University Heights, acquired in March 2010; (ii) the 14-property Fidelity Portfolio, acquired in September and November 2010; (iii) 2nd Avenue Centre, acquired in December 2010; (iv) Sanctuary Lofts, acquired in July 2010; (v) 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; (vi) four owned development projects that opened for occupancy in August 2011; (vii) University Shoppes - Orlando, acquired in July 2011; (viii) Eagles Trail, acquired in September 2011, (ix) Studio Green, acquired in November 2011; and (x) 26 West and The Varsity, both acquired in December 2011.

On-Campus Participating Properties ("OCPP") Operations

We had four participating properties containing 4,519 beds which were operating during both years ended December 31, 2011 and 2010. Revenues from our participating properties increased to $25.3 million during the year ended December 31, 2011 from $24.0 million for the year ended December 31, 2010, an increase of $1.3 million. This increase was primarily a result of an increase in average rental rates during the year ended December 31, 2011 as compared to the prior year, as well as an increase in average occupancy from 76.9% for the year ended December 31, 2010 to 78.3% for the year ended December 31, 2011.

At these properties, operating expenses decreased from $10.5 million for the year ended December 31, 2010 to $10.2 million for the year ended December 31, 2011, a decrease of $0.3 million. This decrease was primarily due to a utility refund of approximately $0.7 million received at one of the properties in 2011, offset by general inflationary increases.

Third-Party Development Services Revenue

Third-party development services revenue decreased by approximately $1.8 million, from $9.3 million during the year ended December 31, 2010 to $7.5 million for the year ended December 31, 2011. This decrease was primarily due to $6.1 million of revenue earned during the year ended December 31, 2010 from our University of California – Irvine Phase III project, which completed construction and opened for occupancy in August 2010. $4.7 million of the revenue earned in 2010 related to our participation in cost savings on the project. In addition, lower fees were recognized during the year ended December 31, 2011 as compared to the prior year for our Edinboro Phase II project, which completed construction and opened for occupancy in August 2011. These decreases were offset by the closing of bond financing and commencement of construction on our Illinois State University, Northern Illinois University and University of Wyoming projects during the year ended December 31, 2011, which in total contributed an additional $5.5 million to third-party development services revenue during the period. During the year ended December 31, 2011, we had six projects in progress with an average contractual fee of approximately $2.2 million, as compared to the year ended December 31, 2010 in which we had four projects in progress with an average contractual fee of approximately $4.0 million.

Third-Party Management Services Revenue

Third-party management services revenue decreased by approximately $1.4 million, from $8.7 million for the year ended December 31, 2010 to $7.3 million for the year ended December 31, 2011. We experienced a decrease in management services revenue of approximately $1.3 million during year ended December 31, 2011 as a result of our acquisition of the Fidelity Portfolio.

Third-Party Development and Management Services Expenses

Third-party development and management services expenses decreased by approximately $1.4 million, from $12.8 million during the year ended December 31, 2010 to $11.4 million for the year ended December 31, 2011. This decrease was primarily a result of less activity in our management services segment due to our acquisition of the Fidelity Portfolio.

General and Administrative

General and administrative expenses increased by approximately $1.2 million, from $11.6 million during the year ended December 31, 2010 to $12.8 million for the year ended December 31, 2011. This increase was primarily a result of additional salary and benefits expense, public company costs and other general inflationary factors during the year ended December 31, 2011, offset by $1.0 million of acquisition-related costs such as broker fees, due diligence costs and legal and accounting fees incurred during the year ended December 31, 2010, related to the purchase of the Fidelity Portfolio.

Depreciation and Amortization

Depreciation and amortization increased by approximately $13.8 million, from $72.4 million during the year ended December 31, 2010 to $86.2 million for the year ended December 31, 2011. This increase was primarily due to the following items: (i) additional depreciation and amortization expense of approximately $8.8 million recorded during the year ended December 31, 2011 related to our acquisition of the 14-property Fidelity Portfolio, (ii) additional depreciation and amortization expense of approximately $3.0 million recorded during the year ended December 31, 2011 related to the acquisition of eight other properties during 2010 and 2011; and (iii) the completion of construction and opening of four owned developments in August 2011, which contributed an additional $1.8 million of depreciation expense.

Ground/Facility Leases

Ground/facility leases expense increased by approximately $0.7 million, from $2.9 million during the year ended December 31, 2010 to $3.6 million for the year ended December 31, 2011. This increase was primarily due to a utility refund of approximately $0.7 million received in 2011 at one of our on-campus participating properties, which increased the University’s share of the cash flow available for distribution.

Interest Income

Interest income increased by approximately $0.4 million, from $0.2 million during the year ended December 31, 2010 to $0.6 million for the year ended December 31, 2011. In 2011, we entered into two option agreements to purchase two properties that completed construction and opened for occupancy in August 2012. As part of the option agreements, we provided mezzanine financing to the developers, for which we earned interest at a rate of 10% per annum.

Interest Expense

Interest expense decreased by approximately $7.9 million, from $59.5 million during the year ended December 31, 2010 to $51.6 million for the year ended December 31, 2011. We experienced a decrease in interest expense of approximately $6.8 million during the year ended December 31, 2011 as compared to the prior year as a result of mortgage and construction loans paid off during 2010 and 2011. In addition, interest expense decreased as a result of an increase in capitalized interest of approximately $5.3 million during the year ended December 31, 2011 as compared to the prior year due to the timing and volume of construction activities on our owned development projects during the respective periods. These decreases were offset by additional interest of approximately $2.4 million incurred during the year ended December 31, 2011 related to loans assumed in connection with our acquisition of the 14-property Fidelity Portfolio. We also incurred $2.6 million of additional interest expense on our corporate-level debt related to our $200 million unsecured term loan, which was used to repay the maturing $100 million senior secured term loan in May 2011, and increased borrowings under our revolving credit facility to partially fund property acquisitions in 2011.

Amortization of Deferred Financing Costs

Amortization of deferred financing costs increased approximately $0.7 million, from $4.4 million during the year ended December 31, 2010 to $5.1 million for the year ended December 31, 2011. This increase was primarily due to an additional $0.7 million of finance cost amortization recorded during the year ended December 31, 2011 in connection with finance costs paid upon the assumption of debt from our acquisition of the 14-property Fidelity Portfolio. In addition, $0.2 million of finance cost amortization was recorded during the year ended December 31, 2011 associated with finance costs incurred in connection with our $650 million credit facility entered into in May 2011. These increases were offset by a decrease in finance cost amortization of $0.2 million as a result of mortgage debt paid off during 2010 and 2011.

Loss from Unconsolidated Joint Ventures

Loss from unconsolidated joint ventures decreased approximately $1.4 million from $2.0 million during the year ended December 31, 2010 to $0.6 million for the year ended December 31, 2011. This decrease was due to the following items: (i) a $0.9 million decrease in our share of the loss from the joint ventures with Fidelity as a result of our purchase of the full ownership interests in the Fidelity Portfolio in September and November 2010, and (ii) a $0.5 million decrease in our share of the loss from the Hampton Roads military housing joint venture as a result of us discontinuing the application of the equity method for our investment in this joint venture.

Other Nonoperating Income

Other nonoperating income of $5.7 million for the year ended December 31, 2010 represents the following items: (i) a $4.1 million gain recorded to remeasure our equity method investments in two joint ventures with Fidelity, in which we held a 10% interest, to fair value immediately prior to our acquisitions in September and November 2010 of the remaining 90% interest in 14 properties owned by the joint ventures; and (ii) a gain on insurance settlement of $1.6 million related to a fire that occurred at one of our owned off-campus properties in April 2010. The gain represents insurance proceeds received in excess of the book value of the property written off as a result of the fire damage.

Discontinued Operations

Discontinued operations on the accompanying consolidated statements of comprehensive income includes the following wholly-owned properties: (i) Brookstone Village and Campus Walk, sold in December 2012 for a combined sales price of $26.6 million, (ii) Pirates Cove, sold in April 2012 for a sales price of $27.5 million, (iii) Campus Club – Statesboro, sold in May 2011 for a sales price of $34.5 million, (iv) Villas on Apache, sold in April 2011 for a sales price of $14.8 million, (v) River Club Apartments, sold in April 2011 for a sales price of $23.0 million, (vi) River Walk Townhomes, sold in April 2011 for a sales price of $9.7 million, (vii) Campus Walk – Oxford, sold in April 2010 for a sales price of $9.2 million, and (viii) Cambridge at Southern, sold in March 2010 for a sales price of $19.5 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, 2012, excluding our on-campus participating properties, we had $46.9 million in cash and cash equivalents and restricted cash as compared to $37.0 million in cash and cash equivalents and restricted cash as of December 31, 2011. 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, 2012, net cash provided by operating activities was approximately $203.0 million, as compared to approximately $131.0 million for the year ended December 31, 2011, an increase of $72.0 million. This increase in cash provided by operating activities was primarily due to operating cash flows provided from the timing of the acquisition of five properties in 2011 and 40 properties in 2012, the completion of construction and opening of four owned development projects in August 2011 and 11 owned development projects in August and September 2012, and improved operations at our same store wholly-owned properties.

Investing Activities: Investing activities utilized approximately $1,479.8 million and $440.3 million for the years ended December 31, 2012 and 2011, respectively. The $1,039.5 million increase in cash utilized in investing activities was primarily a result of the following: (i) an $896.4 million increase in cash paid to acquire properties and undeveloped land as we acquired 40 properties during the year ended December 31, 2012 compared to five properties for the year ended December 31, 2011; (ii) a $141.6 million increase 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 15 wholly-owned properties that were under construction during the year ended December 31, 2011, of which four completed construction in August 2011; and (iii) a $37.0 million decrease in net proceeds received from the disposition of real estate, as four unencumbered wholly-owned properties were sold during the year ended December 31, 2011 as compared to one unencumbered and two encumbered wholly-owned properties during the year ended December 31, 2012. These increases in cash utilized in investing activities were primarily offset by the following: (i) a $5.1 million decrease in mezzanine financing provided to third-party developers during the comparable twelve month periods; (ii) the repayment of a $4.0 million mezzanine loan by a developer during the year ended December 31, 2012; and (iii) a $24.9 million loan made to the seller of a property which enabled the seller to retain a 20.5% noncontrolling interest in a partnership that owns a property we acquired during the year ended December 31, 2011.

Financing Activities: Cash provided by financing activities totaled approximately $1,275.8 million and $218.2 million for the years ended December 31, 2012 and 2011, respectively. The $1,057.6 million increase in cash provided by financing activities was primarily a result of the following: (i) an $1,130.0 million increase in net proceeds raised through the issuance of common stock, (ii) a $162.3 million decrease in cash used to pay off maturing mortgage and construction debt, (iii) a $76.1 million increase in proceeds from construction loans used to partially fund the construction of four wholly-owned development properties, which completed construction and opened for occupancy in August and September 2012, and (iv) a $50.0 million increase in proceeds (net of pay offs) received from our term loan. These increases were primarily offset by (i) a $315.0 million decrease in proceeds (net of pay downs) received from our revolving credit facilities and (ii) a $23.8 million increase in distributions to stockholders during the year ended December 31, 2012, as a result of the issuance of common stock in connection with our July 2012 and October 2012 equity offerings and ATM Equity Programs.

Liquidity Needs, Sources and Uses of Capital

As of December 31, 2012, 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 $142.1 million based on an assumed annual cash distribution of $1.35 per share based on the number of our shares outstanding as of December 31, 2012, (ii) anticipated distribution payments to our Operating Partnership unitholders totaling approximately $1.7 million based on an assumed annual distribution of $1.35 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, 2012, (iii) the pay-off of approximately $74.9 million of fixed-rate mortgage debt scheduled to mature during the next 12 months, (iv) estimated development costs over the next 12 months totaling approximately $232.3 million for our wholly-owned properties currently under construction, (v) funds for other development projects scheduled to commence construction during the next 12 months, and (vi) potential future property acquisitions.

We expect to meet our short-term liquidity requirements by (i) borrowing under our existing credit facilities discussed below, (ii) potentially disposing of properties depending on market conditions, (iii) issuing securities, including common stock, and (iv) utilizing net cash provided by operations. In addition, during the fourth quarter of 2011, the Company was assigned a “Baa3” issuer rating by Moody’s Investors Service and a “BBB-” corporate credit rating by Standard & Poor’s Ratings Services. Both ratings are considered “investment grade” and indicated a stable outlook for the Company. These ratings potentially provide us with access to the unsecured bond market, an additional avenue that can be used to fund our liquidity needs.

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 and term loan. These financings could increase our level of indebtedness or result in dilution to our equity holders.

2012 Equity Offerings

As discussed in more detail in Note 12 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, in July 2012 and October 2012 we sold 17,250,000 and 12,650,000 shares of our common stock, respectively, at a price of $44.25 and $43.75 per share, respectively.

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, 2012, we utilized our ATM share offering program to sell shares of our common stock into the existing trading market at current market prices.

Unsecured Credit Facility

As discussed in more detail in Note 11 and Note 14 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, in January 2012, we entered into a First Amendment to our Third Amended and Restated Credit Agreement (the “First Amendment”). Pursuant to the First Amendment, our $200 million unsecured term loan was increased in size to $350 million, maturity dates were extended on both our term loan and revolving credit facility, and interest rate spreads were lowered to reflect current market terms. In January 2012, we also entered into multiple interest rate swap agreements with notional amounts totaling $350 million that effectively fix our interest rate to 2.54% (0.89% + 1.65% spread) on the outstanding balance of our unsecured term loan.

As of December 31, 2012, the balance outstanding on our revolving credit facility totaled $258.0 million, bearing interest at a weighted average annual rate of 1.97%, and availability under the revolving credit facility totaled $192.0 million. The terms of the combined 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, 2012, 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, 2012, the balance outstanding on the facility totaled $104.0 million, bearing interest at a weighted average annual rate of 2.27%. 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, 2012, 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 29, 2013, we declared a fourth quarter 2012 distribution per share of $0.3375, which was paid on February 22, 2013 to all common stockholders of record as of February 8, 2013. 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.

Recurring Capital Expenditures

Recurring capital expenditures represent expenditures 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. Recurring capital expenditures exclude expenditures that were taken into consideration when underwriting the purchase of a property and are considered necessary to bring the property up to our operating standards, as well as capital expenditures for renovations, community repositioning, and other revenue-enhancing projects. 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 recurring capital expenditures at our wholly-owned properties are set forth below:

	As of and for the Year Ended December 31,		
	2012	2011	2010
Average beds	66,555	56,418	50,506
Total recurring capital expenditures	$ 13,510	$ 11,101	$ 10,136
Average per bed	$ 203	$ 197	$ 201

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, 2012, we have deferred approximately $2.6 million in pre-development costs related to third-party and owned development projects that have not yet commenced construction.

Indebtedness

As of December 31, 2012, we had approximately $2,134.5 million of outstanding consolidated indebtedness (excluding net unamortized debt premiums and debt discounts of approximately $90.1 million and $3.5 million, respectively), comprised of a $350.0 million balance on our unsecured term loan, $258.0 million balance on our unsecured revolving credit facility, $104.0 million balance on our secured agency facility, $1,345.8 million in mortgage and construction loans secured by our wholly-owned properties, $31.8 million in mortgage loans secured by two phases of an on-campus participating property and $44.9 million in bond issuances secured by three of our on-campus participating properties. The weighted average interest rate on our consolidated indebtedness as of December 31, 2012 was 4.40% per annum. As of December 31, 2012, approximately 19.6% of our total consolidated indebtedness was variable rate debt, comprised of our secured agency facility, unsecured revolving credit facility and three construction loans discussed below.

Wholly-Owned Properties

Mortgage debt: The weighted average interest rate of the $1,288.5 million of wholly-owned mortgage debt was 5.48% per annum as of December 31, 2012. 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 loans: The development and construction of two on-campus ACE properties (The Suites and Hilltop Townhomes), which both completed construction in August 2012, are partially financed on a combined basis with a $45.4 million construction loan. For each borrowing we have the option of choosing the Prime rate or one-, two-, three-, or six-month LIBOR plus 2.35%. 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, 2012, the balance outstanding on the construction loan totaled $44.6 million, bearing interest at a weighted average rate per annum of 2.56%.

In addition, as discussed in more detail in Note 7 in the accompanying Notes to Consolidated Financial Statements contained in Item 8, we are consolidating two variable interest entities ("VIEs") that own Townhomes at Newtown Crossing, a property located in Lexington, Kentucky and The Lodges of East Lansing Phase II, an additional phase at an existing property located in East Lansing, Michigan. As a result, our construction loans payable balance includes $12.7 million related to the construction loans that are financing the development and construction of this property and additional phase at an existing property. The total amount of these construction loans are $31.5 million and $16.2 million for Townhomes at Newtown Crossing and The Lodges of East Lansing Phase II, respectively, bearing interest at 2.65% and 4.26% per annum, respectively, as of December 31, 2012. The loans mature on August 1, 2014 and January 9, 2014, respectively. As the Company is not legally a party to these loans, and is only including the loans in its consolidated financial statements to comply with accounting guidance related to VIE's, the creditors of these construction loans do not have recourse to the assets of the Company.

On-Campus Participating Properties

Bonds: As discussed in Note 11 in the 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, 2012, the bonds carry a balance of $44.9 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, 2012 of approximately $15.8 million and $16.0 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 this property's indebtedness.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2012:

	Total	2013	2014	2015	2016	2017	Thereafter
Long-term debt (1) (2)	$ 2,548,850	$ 181,875	$ 443,668	$ 295,561	$ 526,489	$ 510,665	$ 590,592
Owned development projects (3)	268,550	232,302	36,248				