AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
November 03, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017.

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated

filer”, “smaller reporting company”, and “emerging growth 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
Emerging growth company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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
Emerging growth company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
American Campus Communities, Inc. Yes o No x
American Campus Communities Operating Partnership, L.P Yes o No x

There were 136,426,506 shares of the American Campus Communities, Inc.'s common stock with a par value of $0.01 per share outstanding as of the close of business on October 27, 2017.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended September 30, 2017 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 corporation that has elected to be treated as a real estate investment trust ("REIT") under the Internal Revenue Code, 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 September 30, 2017, 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 September 30, 2017, ACC owned an approximate 99.2% 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 the Operating Partnership ("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 the Operating Partnership. 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 the Operating Partnership issued to ACC and ACC Holdings and the common shares issued to the public. The Company believes that combining the reports on Form 10-Q of ACC and ACCOP into this single report provides the following benefits:

(1) 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;
(2) 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
(3) 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 facility, the issuance of unsecured notes, 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 the Operating Partnership. The differences between stockholders' equity and partners' capital result from differences in the 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 I, Item 4 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-Q
FOR THE QUARTER ENDED September 30, 2017
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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2017 (Unaudited)	December 31, 2016
Assets		
Investments in real estate:		
Wholly-owned properties, net	$ 6,262,077	$ 5,427,014
Wholly-owned properties held for sale	—	25,350
On-campus participating properties, net	83,095	85,797
Investments in real estate, net	6,345,172	5,538,161
Cash and cash equivalents	16,341	22,140
Restricted cash	25,824	24,817
Student contracts receivable, net	15,531	8,428
Other assets	284,023	272,367
Total assets	$ 6,686,891	$ 5,865,913
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt, net	$ 662,874	$ 688,195
Unsecured notes, net	1,190,296	1,188,737
Unsecured term loans, net	646,675	149,065
Unsecured revolving credit facility	266,440	99,300
Accounts payable and accrued expenses	79,612	76,614
Other liabilities	214,918	158,437
Total liabilities	3,060,815	2,360,348
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	112,270	55,078
Equity:		
American Campus Communities, Inc. and Subsidiaries stockholders' equity:		
Common stock, $0.01 par value, 800,000,000 shares authorized, 136,362,728 and 132,225,488 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	1,364	1,322
Additional paid in capital	4,321,228	4,118,842
Common stock held in rabbi trust, 63,778 and 20,181 shares at September 30, 2017 and December 31, 2016, respectively	(2,944)	(975)
Accumulated earnings and dividends	(816,360)	(670,137)
Accumulated other comprehensive loss	(3,195)	(4,067)
Total American Campus Communities, Inc. and Subsidiaries stockholders' equity	3,500,093	3,444,985
Noncontrolling interests - partially owned properties	13,713	5,502

Total equity	3,513,806	3,450,487
Total liabilities and equity	$ 6,686,891	$ 5,865,913

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Wholly-owned properties	$183,569	$185,694	$531,556	$546,078
On-campus participating properties	6,799	6,758	23,128	23,018
Third-party development services	3,566	773	4,697	3,929
Third-party management services	2,291	2,376	7,193	7,039
Resident services	713	810	2,310	2,325
Total revenues	196,938	196,411	568,884	582,389
Operating expenses:				
Wholly-owned properties	99,423	100,602	249,552	257,175
On-campus participating properties	3,923	3,784	11,080	10,125
Third-party development and management services	3,879	3,340	11,789	10,638
General and administrative	8,684	5,375	25,200	16,810
Depreciation and amortization	61,125	52,067	169,391	159,486
Ground/facility leases	2,329	1,965	7,151	6,736
Provision for real estate impairment	—	—	15,317	—
Total operating expenses	179,363	167,133	489,480	460,970
Operating income	17,575	29,278	79,404	121,419
Nonoperating income and (expenses):				
Interest income	1,259	1,272	3,723	4,026
Interest expense	(18,654)	(19,016)	(47,944)	(61,762)
Amortization of deferred financing costs	(1,146)	(1,344)	(3,197)	(5,238)
(Loss) gain from disposition of real estate	—	—	(632)	17,409
Total nonoperating expense	(18,541)	(19,088)	(48,050)	(45,565)
(Loss) income before income taxes	(966)	10,190	31,354	75,854
Income tax provision	(267)	(345)	(791)	(1,035)
Net (loss) income	(1,233)	9,845	30,563	74,819
Net income attributable to noncontrolling interests	(79)	(201)	(587)	(1,150)
Net (loss) income attributable to ACC, Inc. and Subsidiaries common stockholders	$(1,312)	$9,644	$29,976	$73,669
Other comprehensive income (loss)				
Change in fair value of interest rate swaps and other	233	1,271	872	(162)
Comprehensive (loss) income	$(1,079)	$10,915	$30,848	$73,507
Net (loss) income per share attributable to ACC, Inc. and Subsidiaries common stockholders				
Basic	$(0.01)	$0.07	$0.21	$0.57
Diluted	$(0.01)	$0.07	$0.21	$0.56

Weighted-average common shares outstanding				
Basic	136,421,198	130,786,985	134,708,361	128,239,294
Diluted	136,421,198	131,568,371	135,585,850	129,034,401
Distributions declared per common share	$ 0.44	$ 0.42	$ 1.30	$ 1.24

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited, in thousands, except share data)

	Common Shares	Par Value of Common Shares	Additional Paid in Capital	Common Shares Held in Rabbi Trust	Common Shares Held in Rabbi Trust at Cost	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests – Partially Owned Properties	Total
Equity, December 31, 2016	132,225,488	$1,322	$4,118,842	20,181	$(975)	$(670,137)	$(4,067)	$5,502	$3,450,487
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	5,943	—	—	—	—	—	5,943
Amortization of restricted stock awards	—	—	10,641	—	—	—	—	—	10,641
Vesting of restricted stock awards and restricted stock units	165,884	2	(2,193)	43,597	(1,969)	—	—	—	(4,160)
Distributions to common and restricted stockholders	—	—	—	—	—	(176,199)	—	—	(176,199)
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	—	—	(212)	(212)
Conversion of common and preferred operating partnership units to common stock	22,000	—	154	—	—	—	—	—	154
Net proceeds from sale of common stock	3,949,356	40	187,841	—	—	—	—	—	187,881
Change in fair value of interest rate	—	—	—	—	—	—	564	—	564

swaps and other									
Amortization of interest rate swap terminations	—	—	—	—	—	—	308	—	308
Contributions by noncontrolling interest	—	—	—	—	—	—	—	8,158	8,158
Net income	—	—	—	—	—	29,976	—	265	30,241
Equity, September 30, 2017	136,362,728	$ 1,364	$ 4,321,228	63,778	$ (2,944)	$ (816,360)	$ (3,195)	$ 13,713	$ 3,513,806

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net income	$30,563	$74,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) from disposition of real estate	632	(17,409)
Provision for real estate impairment	15,317	—
Depreciation and amortization	169,391	159,486
Amortization of deferred financing costs and debt premiums/discounts	(2,691)	(4,053)
Share-based compensation	11,401	7,820
Income tax provision	791	1,035
Amortization of interest rate swap terminations and other	308	309
Changes in operating assets and liabilities:		
Restricted cash	(566)	(734)
Student contracts receivable, net	(6,775)	1,750
Other assets	(2,536)	(5,112)
Accounts payable and accrued expenses	(293)	2,769
Other liabilities	29,581	22,157
Net cash provided by operating activities	245,123	242,837
Investing activities		
Proceeds from disposition of properties	24,462	72,640
Cash paid for acquisition of operating and under development properties	(302,318)	(96,604)
Cash paid for land acquisitions	(8,886)	(856)
Capital expenditures for wholly-owned properties	(64,464)	(45,155)
Investments in wholly-owned properties under development	(409,174)	(284,777)
Capital expenditures for on-campus participating properties	(2,909)	(2,510)
Investment in direct financing lease	(759)	(7,837)
Change in escrow deposits for real estate investments	(727)	5,141
Change in restricted cash related to capital reserves	(578)	(1,099)
Purchase of corporate furniture, fixtures and equipment	(4,997)	(4,681)
Net cash used in investing activities	(770,350)	(365,738)
Financing activities		
Proceeds from sale of common stock	190,912	803,189
Offering costs	(2,374)	(32,912)
Pay-off of mortgage and construction loans	(99,185)	(152,597)
Pay-off of unsecured term loans	—	(400,000)
Proceeds from unsecured term loan	500,000	150,000
Proceeds from revolving credit facility	974,300	123,400
Paydowns of revolving credit facility	(807,160)	(172,300)
Proceeds from construction loans	10,812	—
Scheduled principal payments on debt	(9,718)	(11,514)
Debt issuance and assumption costs	(7,335)	(744)
Contributions by noncontrolling interests	11,526	—

Taxes paid on net-share settlements	(4,920)	(2,977)
Distributions to common and restricted stockholders	(176,199)	(162,866)
Distributions to noncontrolling interests	(61,231)	(2,044)
Net cash provided by financing activities	519,428	138,635
Net change in cash and cash equivalents	(5,799)	15,734
Cash and cash equivalents at beginning of period	22,140	16,659
Cash and cash equivalents at end of period	$16,341	$32,393
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	$(80,296)	$(10,012)
Conversion of common and preferred operating partnership units to common stock	$154	$5,441
Non-cash contribution from noncontrolling interest	$120,618	$—
Non-cash consideration exchanged in purchase of land parcel	$(3,071)	$—
Change in accrued construction in progress	$24,753	$32,941
Change in fair value of derivative instruments, net	$564	$(471)
Change in fair value of redeemable noncontrolling interests	$5,943	$(10,481)
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	$49,562	$69,884

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	September 30, 2017 (Unaudited)	December 31, 2016
Assets		
Investments in real estate:		
Wholly-owned properties, net	$ 6,262,077	$ 5,427,014
Wholly-owned properties held for sale	—	25,350
On-campus participating properties, net	83,095	85,797
Investments in real estate, net	6,345,172	5,538,161
Cash and cash equivalents	16,341	22,140
Restricted cash	25,824	24,817
Student contracts receivable, net	15,531	8,428
Other assets	284,023	272,367
Total assets	$ 6,686,891	$ 5,865,913
Liabilities and capital		
Liabilities:		
Secured mortgage, construction and bond debt, net	$ 662,874	$ 688,195
Unsecured notes, net	1,190,296	1,188,737
Unsecured term loans, net	646,675	149,065
Unsecured revolving credit facility	266,440	99,300
Accounts payable and accrued expenses	79,612	76,614
Other liabilities	214,918	158,437
Total liabilities	3,060,815	2,360,348
Commitments and contingencies (Note 13)		
Redeemable limited partners	112,270	55,078
Capital:		
Partners' capital:		
General partner - 12,222 OP units outstanding at both September 30, 2017 and December 31, 2016	69	82
Limited partner - 136,414,284 and 132,233,447 OP units outstanding at September 30, 2017 and December 31, 2016, respectively	3,503,219	3,448,970
Accumulated other comprehensive loss	(3,195)	(4,067)
Total partners' capital	3,500,093	3,444,985
Noncontrolling interests - partially owned properties	13,713	5,502
Total capital	3,513,806	3,450,487
Total liabilities and capital	$ 6,686,891	$ 5,865,913

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Wholly-owned properties	$183,569	$185,694	$531,556	$546,078
On-campus participating properties	6,799	6,758	23,128	23,018
Third-party development services	3,566	773	4,697	3,929
Third-party management services	2,291	2,376	7,193	7,039
Resident services	713	810	2,310	2,325
Total revenues	196,938	196,411	568,884	582,389
Operating expenses:				
Wholly-owned properties	99,423	100,602	249,552	257,175
On-campus participating properties	3,923	3,784	11,080	10,125
Third-party development and management services	3,879	3,340	11,789	10,638
General and administrative	8,684	5,375	25,200	16,810
Depreciation and amortization	61,125	52,067	169,391	159,486
Ground/facility leases	2,329	1,965	7,151	6,736
Provision for real estate impairment	—	—	15,317	—
Total operating expenses	179,363	167,133	489,480	460,970
Operating income	17,575	29,278	79,404	121,419
Nonoperating income and (expenses):				
Interest income	1,259	1,272	3,723	4,026
Interest expense	(18,654)	(19,016)	(47,944)	(61,762)
Amortization of deferred financing costs	(1,146)	(1,344)	(3,197)	(5,238)
(Loss) gain from disposition of real estate	—	—	(632)	17,409
Total nonoperating expense	(18,541)	(19,088)	(48,050)	(45,565)
(Loss) income before income taxes	(966)	10,190	31,354	75,854
Income tax provision	(267)	(345)	(791)	(1,035)
Net (loss) income	(1,233)	9,845	30,563	74,819
Net income attributable to noncontrolling interests – partially owned properties	(57)	(77)	(259)	(285)
Net (loss) income attributable to American Campus Communities Operating Partnership, L.P.	(1,290)	9,768	30,304	74,534
Series A preferred unit distributions	(31)	(36)	(93)	(115)
Net (loss) income attributable to common unitholders	$(1,321)	$9,732	$30,211	$74,419
Other comprehensive income (loss)				
Change in fair value of interest rate swaps and other	233	1,271	872	(162)
Comprehensive (loss) income	$(1,088)	$11,003	$31,083	$74,257
Net (loss) income per unit attributable to common unitholders				
Basic	$(0.01)	$0.07	$0.21	$0.57

Diluted	$(0.01)	$0.07	$0.21	$0.56
Weighted-average common units outstanding				
Basic	137,432,872	132,008,227	135,731,609	129,517,442
Diluted	137,432,872	132,789,613	136,609,098	130,312,549
Distributions declared per Common Unit	$0.44	$0.42	$1.30	$1.24

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL
(unaudited, in thousands, except unit data)

	General Partner		Limited Partner		Accumulated Other Comprehensive	Noncontrolling Interests - Partially Owned	
	Units	Amount	Units	Amount	Loss	Properties	Total
Capital, December 31, 2016	12,222	$ 82	132,233,447	$3,448,970	$ (4,067)	$ 5,502	$3,450,487
Adjustments to reflect redeemable limited partners' interest at fair value	—	—	—	5,943	—	—	5,943
Amortization of restricted stock awards	—	—	—	10,641	—	—	10,641
Vesting of restricted stock awards and restricted stock units	—	—	209,481	(4,160)	—	—	(4,160)
Distributions	—	(16)	—	(176,183)	—	—	(176,199)
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	(212)	(212)
Conversion of common and preferred operating partnership units to common stock	—	—	22,000	154	—	—	154
Issuance of units in exchange for contributions of equity offering proceeds	—	—	3,949,356	187,881	—	—	187,881
Change in fair value of interest rate swaps and other	—	—	—	—	564	—	564
Amortization of interest rate swap terminations	—	—	—	—	308	—	308
Contributions by noncontrolling interest	—	—	—	—	—	8,158	8,158
Net income	—	3	—	29,973	—	265	30,241
Capital as of September 30, 2017	12,222	$ 69	136,414,284	$3,503,219	$ (3,195)	$ 13,713	$3,513,806

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net income	$30,563	$74,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) from disposition of real estate	632	(17,409)
Provision for real estate impairment	15,317	—
Depreciation and amortization	169,391	159,486
Amortization of deferred financing costs and debt premiums/discounts	(2,691)	(4,053)
Share-based compensation	11,401	7,820
Income tax provision	791	1,035
Amortization of interest rate swap terminations and other	308	309
Changes in operating assets and liabilities:		
Restricted cash	(566)	(734)
Student contracts receivable, net	(6,775)	1,750
Other assets	(2,536)	(5,112)
Accounts payable and accrued expenses	(293)	2,769
Other liabilities	29,581	22,157
Net cash provided by operating activities	245,123	242,837
Investing activities		
Proceeds from disposition of properties	24,462	72,640
Cash paid for acquisition of operating and under development properties	(302,318)	(96,604)
Cash paid for land acquisitions	(8,886)	(856)
Capital expenditures for wholly-owned properties	(64,464)	(45,155)
Investments in wholly-owned properties under development	(409,174)	(284,777)
Capital expenditures for on-campus participating properties	(2,909)	(2,510)
Investment in direct financing lease	(759)	(7,837)
Change in escrow deposits for real estate investments	(727)	5,141
Change in restricted cash related to capital reserves	(578)	(1,099)
Purchase of corporate furniture, fixtures and equipment	(4,997)	(4,681)
Net cash used in investing activities	(770,350)	(365,738)
Financing activities		
Proceeds from issuance of common units in exchange for contributions, net	188,538	770,277
Pay-off of mortgage and construction loans	(99,185)	(152,597)
Pay-off of unsecured term loan	—	(400,000)
Proceeds from unsecured term loan	500,000	150,000
Proceeds from revolving credit facility	974,300	123,400
Paydowns of revolving credit facility	(807,160)	(172,300)
Proceeds from construction loans	10,812	—
Scheduled principal payments on debt	(9,718)	(11,514)
Debt issuance and assumption costs	(7,335)	(744)
Contributions by noncontrolling interests	11,526	—
Taxes paid on net-share settlements	(4,920)	(2,977)

Distributions paid to common and preferred unitholders	(176,404)	(163,493)
Distributions paid on unvested restricted stock awards	(1,217)	(1,051)
Distributions paid to noncontrolling interests - partially owned properties	(59,809)	(366)
Net cash provided by financing activities	519,428	138,635
Net change in cash and cash equivalents	(5,799)	15,734
Cash and cash equivalents at beginning of period	22,140	16,659
Cash and cash equivalents at end of period	$16,341	$32,393
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	$(80,296)	$(10,012)
Conversion of common and preferred operating partnership units to common stock	$154	$5,441
Non-cash contribution from noncontrolling interest	$120,618	$—
Non-cash consideration exchanged in purchase of land parcel	$(3,071)	$—
Change in accrued construction in progress	$24,753	$32,941
Change in fair value of derivative instruments, net	$564	$(471)
Change in fair value of redeemable noncontrolling interests	$5,943	$(10,481)
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	$49,562	$69,884

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization and Description of Business

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 September 30, 2017, 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 September 30, 2017, ACC owned an approximate 99.2% 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” means 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. Unless otherwise indicated, the accompanying Notes to the Consolidated Financial Statements apply to both the Company and the Operating Partnership.

As of September 30, 2017, the Company’s property portfolio contained 166 properties with approximately 102,500 beds. The Company’s property portfolio consisted of 130 owned off-campus student housing properties that are in close proximity to colleges and universities, 31 American Campus Equity (“ACE®”) properties operated under ground/facility leases with 14 university systems and five on-campus participating properties operated under ground/facility leases with the related university systems. Of the 166 properties, 12 were under development as of September 30, 2017, and when completed will consist of a total of approximately 8,300 beds. The Company’s communities contain modern housing units and are supported by a resident assistant system and other student-oriented programming, with many offering resort-style amenities.

Through one of ACC’s taxable REIT subsidiaries (“TRSs”), the Company also provides construction management and development services, primarily for student housing properties owned by colleges and universities, charitable foundations, and others. As of September 30, 2017, also through one of ACC’s TRSs, the Company provided third-party management and leasing services for 38 properties that represented approximately 28,800 beds. Third-party management and leasing services are typically provided pursuant to management contracts that have initial terms that range from one to five years. As of September 30, 2017, the Company’s total owned and third-party managed portfolio included 204 properties with approximately 131,300 beds.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements, presented in U.S. dollars, are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and revenue and expenses during the reporting periods. The Company’s actual results could differ from those estimates and assumptions. All material intercompany transactions among consolidated entities have been eliminated. All dollar amounts in the tables herein, except share, per share, unit and per unit amounts, are stated in thousands unless otherwise indicated.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Principles of Consolidation

The Company's consolidated financial statements include its accounts and the accounts of other subsidiaries and joint ventures (including partnerships and limited liability companies) over which it has control. Investments acquired or created are evaluated based on the accounting guidance relating to variable interest entities ("VIEs"), which requires the consolidation of VIEs in which the Company is considered to be the primary beneficiary. If the investment is determined not to be a VIE, then the investment is evaluated for consolidation using the voting interest model.

Recently Issued Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2017-12 ("ASU 2017-12"), "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The purpose of this ASU is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition to that main objective, the amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The guidance is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance date of this update. All transition requirements and elections should be applied to hedging relationships existing on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The Company is currently in the process of assessing the effects of this ASU, but does not anticipate a material impact on its consolidated financial statements.

In February 2017, the FASB issued Accounting Standards Update 2017-05 ("ASU 2017-05"), "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." The purpose of this ASU is to eliminate the diversity in practice in accounting for derecognition of a nonfinancial asset and in-substance nonfinancial assets (only when the asset or asset group does not meet the definition of a business or the transaction is not a sale to a customer). The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption for the fiscal years beginning after December 15, 2016 is permitted. This ASU is required to be adopted in conjunction with the Company's adoption of ASU 2014-09, the new revenue recognition standard, which will be adopted as of January 1, 2018. Upon adoption of this ASU, application must be performed on a retrospective basis for each period presented in the Company's financial statements or a retrospective basis with a cumulative-effect adjustment to retained earnings at the beginning of the fiscal year of adoption. The Company currently does not anticipate a material impact to its consolidated financial statements for property dispositions given the simplicity of the Company's historical disposition transactions.

In February 2016, the FASB issued Accounting Standards Update 2016-02 ("ASU 2016-02"), "Leases (Topic 842): Amendments to the FASB Accounting Standards Codification." ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The guidance is effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. Subsequent to the issuance of ASU 2016-02, the FASB issued an additional Accounting Standards Update clarifying aspects of the new lease accounting standard, which will be effective upon adoption of ASU 2016-02. The Company plans to adopt ASU 2016-02 as of January 1,

2019. While the Company is still evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures, it expects to recognize right-of-use assets and related lease liabilities on its consolidated balance sheets related to ground leases under which it is the lessee.

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue From Contracts With Customers (Topic 606)". ASU 2014-09 provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. Subsequent to the issuance of ASU 2014-09, the FASB has issued multiple Accounting Standards Updates clarifying multiple aspects of the new revenue recognition standard, which include the deferral of the effective date by one year. ASU 2014-09, as amended by subsequent Accounting Standards Updates, is effective for public entities for interim and annual periods beginning after December 15, 2017 and may be applied using either a full retrospective or modified retrospective approach upon adoption.

The Company plans to adopt the new revenue standard using the modified retrospective approach as of January 1, 2018 and is currently evaluating each of its revenue streams to identify any differences in the timing, measurement or presentation of revenue recognition under the new standard. The Company does not expect the adoption of this standard to have a significant impact on its consolidated financial statements, as a substantial portion of its revenue consists of rental income from leasing arrangements, which is specifically excluded from ASU 2014-09, and will be evaluated with the adoption of the lease accounting standard, ASU 2016-02, discussed above. The Company anticipates the primary effects of the new standard will be associated with the Company's non-leasing revenue streams, which represent less than 5% of consolidated total revenues.

In addition, the Company does not expect the following accounting pronouncements to have a material effect on its consolidated financial statements:

- ASU 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting."
- ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash."
- ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments."
- ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."

Recently Adopted Accounting Pronouncements

On January 1, 2017, the Company adopted Accounting Standards Update 2017-01 ("ASU 2017-01"), "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendments in this guidance clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years; early adoption is permitted. ASU 2017-01 will be applied prospectively to any transactions occurring subsequent to January 1, 2017. Under the new standard, the Company expects that most property acquisitions will be accounted for as asset acquisitions, and as a result, most transaction costs will be capitalized rather than expensed. The impact on the Company's consolidated financial statements will depend on the size and volume of future acquisition activity.

In addition, on January 1, 2017, the Company adopted the following accounting pronouncements which did not have a material effect on the Company's consolidated financial statements:

- ASU 2017-03, "Accounting Changes and Error Corrections (Topic 250) and Investments — Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (SEC Update)."
- ASU 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships."

Interim Financial Statements

The accompanying interim financial statements are unaudited, but have been prepared in accordance with GAAP for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all disclosures required by GAAP for complete financial

statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements of the Company for these interim periods have been included. Because of the seasonal nature of the Company’s operations, the results of operations and cash flows for any interim period are not necessarily indicative of results for other interim periods or for the full year. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments in Real Estate

Investments in real estate are recorded at historical cost. Major improvements that extend the life of an asset are capitalized and depreciated over the remaining useful life of the asset. The cost of ordinary repairs and maintenance are charged to expense when incurred. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	7-40 years
Leasehold interest - on-campus participating properties	25-34 years (shorter of useful life or respective lease term)
Furniture, fixtures and equipment	3-7 years

Project costs directly associated with the development and construction of an owned real estate project, which include interest, property taxes, and amortization of deferred finance costs, are capitalized as construction in progress. Upon completion of the project, costs are transferred into the applicable asset category and depreciation commences. Interest totaling approximately $3.4 million and $3.3 million was capitalized during the three months ended September 30, 2017 and 2016, respectively, and interest totaling approximately $13.5 million and $9.0 million was capitalized during the nine months ended September 30, 2017 and 2016, respectively.

Management assesses whether there has been an impairment in the value of the Company's investments in real estate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognized when estimated expected future undiscounted cash flows are less than the carrying value of the property, or when a property meets the criteria to be classified as held for sale, at which time an impairment charge is recognized for any excess of the carrying value of the property over the expected net proceeds from the disposal. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future economics and market conditions. If such conditions change, then an adjustment to the carrying value of the Company's long-lived assets could occur in the future period in which the conditions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to earnings. The Company believes that there were no impairment indicators of the carrying values of its investments in real estate as of September 30, 2017, other than a $15.3 million impairment charge recorded during the second quarter 2017 for one property that is in the process of being transferred to the lender in settlement of the property's $27.4 million mortgage loan that matured in August 2017 (see Note 7).

The Company evaluates each acquisition to determine if the integrated set of assets and activities acquired meet the definition of a business under ASU 2017-01. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

- Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or
- The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e. revenue generated before and after the transaction).

Property acquisitions deemed to qualify as a business are accounted for as business combinations, and the related acquisition costs are expensed as incurred. The Company allocates the purchase price of properties acquired in business combinations to net tangible and identified intangible assets based on their fair values. Fair value estimates

are based on information obtained from a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, the Company's own analysis of recently acquired and existing comparable properties in the Company's portfolio, and other market data. Information obtained about each property as a result of due diligence, marketing and leasing activities is also considered. The value allocated to land is generally based on the actual purchase price if acquired separately, or market research/comparables if acquired as part of an existing operating property. The value allocated to building is based on the fair value determined on an "as-if vacant" basis, which is estimated using a replacement cost approach that relies upon assumptions that the Company believes are consistent with current market conditions for similar properties. The value allocated to furniture, fixtures, and equipment is based on an estimate of the fair value of the appliances and fixtures inside the units. The Company has determined these estimates are primarily based upon unobservable inputs and therefore are considered to be Level 3 inputs within the fair value hierarchy.

Acquisitions of properties that do not meet the definition of a business are accounted for as asset acquisitions. The accounting model for asset acquisitions is similar to the accounting model for business combinations except that the acquisition consideration (including transaction costs) is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. The relative fair values used to allocate the cost of an asset acquisition are determined using the same methodologies and assumptions as those utilized to determine fair value in a business combination.

Redeemable noncontrolling interests

The Company follows guidance issued by the FASB regarding the classification and measurement of redeemable securities. Under this guidance, securities that are redeemable for cash or other assets, at the option of the holder and not solely within the control of the issuer, must be classified outside of permanent equity as redeemable noncontrolling interests. The Company makes this determination based on terms in the applicable agreements, specifically in relation to redemption provisions. The Company initially records the redeemable noncontrolling interests at fair value. The carrying amount of the redeemable noncontrolling interest is subsequently adjusted to the redemption value (assuming the noncontrolling interest is redeemable at the balance sheet date), with the corresponding offset for changes in fair value recorded in additional paid in capital. Reductions in fair value are recorded only to the extent that the Company has previously recorded increases in fair value above the redeemable noncontrolling interests' initial basis. As the changes in redemption value are based on fair value, there is no effect on the Company's earnings per share. Redeemable noncontrolling interests on the accompanying consolidated balance sheets of ACC are referred to as redeemable limited partners on the consolidated balance sheets of the Operating Partnership. Refer to Note 9 for a more detailed discussion of redeemable noncontrolling interests for both ACC and the Operating Partnership.

Pre-development Expenditures

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, at which time the Company capitalizes the costs. Because the Company frequently incurs these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained, the Company bears the risk of loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or the Company is 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 the Company 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. As of September 30, 2017, the Company has deferred approximately $5.6 million in pre-development costs related to third-party and owned development projects that have not yet commenced construction. Such costs are included in other assets on the accompanying consolidated balance sheets.

Earnings per Share – Company

Basic earnings per share is computed using net income attributable to common stockholders and the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share reflects common shares issuable from the assumed conversion of American Campus Communities Operating Partnership Units ("OP Units") and common share awards granted. Only those items having a dilutive impact on basic earnings per share are included in diluted earnings per share.

The following potentially dilutive securities were outstanding for the three and nine months ended September 30, 2017 and 2016, but were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Common OP Units (Note 9)	1,011,674	1,221,242	1,023,248	1,278,148
Preferred OP Units (Note 9)	77,513	87,767	77,513	95,212
Unvested restricted stock awards (Note10)	818,547	—	—	—
Total potentially dilutive securities	1,907,734	1,309,009	1,100,761	1,373,360

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The following is a summary of the elements used in calculating basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator – basic and diluted earnings per share:				
Net (loss) income	$(1,233)	$ 9,845	$30,563	$ 74,819
Net income attributable to noncontrolling interests	(79)	(201)	(587)	(1,150)
Net (loss) income attributable to common stockholders	(1,312)	9,644	29,976	73,669
Amount allocated to participating securities	(360)	(329)	(1,217)	(1,051)
Net (loss) income attributable to common stockholders	$(1,672)	$ 9,315	$28,759	$ 72,618
Denominator:				
Basic weighted average common shares outstanding	136,421,198	130,786,985	134,708,361	128,239,294
Unvested restricted stock awards (Note 10)	—	781,386	877,489	795,107
Diluted weighted average common shares outstanding	136,421,198	131,568,371	135,585,850	129,034,401
Earnings per share:				
Net (loss) income attributable to common stockholders - basic	$(0.01)	$ 0.07	$0.21	$ 0.57
Net (loss) income attributable to common stockholders - diluted	$(0.01)	$ 0.07	$0.21	$ 0.56

Earnings per Unit – Operating Partnership

Basic earnings per OP Unit is computed using net income attributable to common unitholders and the weighted average number of common units outstanding during the period. Diluted earnings per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units or resulted in the issuance of OP Units and then shared in the earnings of the Operating Partnership.

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The following is a summary of the elements used in calculating basic and diluted earnings per unit:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator – basic and diluted earnings per unit:				
Net (loss) income	$(1,233)	$ 9,845	$30,563	$ 74,819
Net income attributable to noncontrolling interests – partially owned properties	(57)	(77)	(259)	(285)
Series A preferred unit distributions	(31)	(36)	(93)	(115)
Amount allocated to participating securities	(360)	(329)	(1,217)	(1,051)
Net (loss) income attributable to common unitholders	$(1,681)	$ 9,403	$28,994	$ 73,368
Denominator:				
Basic weighted average common units outstanding	137,432,872	132,008,227	135,731,602	129,517,442
Unvested restricted stock awards (Note 10)	—	781,386	877,489	795,107
Diluted weighted average common units outstanding	137,432,872	132,789,613	136,609,091	130,312,549
Earnings per unit:				
Net (loss) income attributable to common unitholders - basic	$(0.01)	$0.07	$0.21	$0.57
Net (loss) income attributable to common unitholders - diluted	$(0.01)	$0.07	$0.21	$0.56

3. Acquisitions and Joint Venture Investments

Core Transaction Overview: During the third quarter of 2017, the Company executed an agreement to acquire a portfolio of seven student housing properties from affiliates of Core Spaces and DRW Real Estate Investments (the "Core Transaction"). The transaction included the purchase of 100% of the ownership interests in two operating properties, the purchase of partial ownership interests in two operating properties through a joint venture arrangement (with one property being subject to a purchase option that had not been exercised as of September 30, 2017), and the purchase of partial ownership interests in three in-process development properties through a joint venture arrangement. In total, the Core Transaction properties contain 3,776 beds. The initial investment made at closing was $265.4 million, and the Company expects to invest a total of $590.6 million over a two year period including the initial investment.

Core Transaction Property Acquisitions: In August 2017, the Company purchased 100% of the ownership interests in two properties for a total purchase price of approximately $146.1 million. Total cash consideration was approximately $144.3 million. The difference between the contracted purchase price and the cash consideration is due to other assets and liabilities that were not part of the contractual purchase price, but were acquired in the transactions, as well as transaction costs capitalized as part of the acquisitions. A list of these two properties acquired as part of the Core Transaction is as follows:

Property	Location	Primary University Served	Acquisition Date	Beds
Hub Eugene	Eugene, OR	University of Oregon	August 2017	513
State	Fort Collins, CO	Colorado State University	August 2017	665
				1,178

Core Transaction Joint Ventures: As mentioned above, during the third quarter of 2017 as part of the Core Transaction, the Company funded initial investments in two joint ventures. The joint venture transactions involved the

joint venture partner making a non-cash contribution of properties and the Company making a cash contribution to the joint ventures in exchange for its membership interests. Both joint ventures were determined to be VIEs, with the Company being the primary beneficiary. As such, both joint ventures are included in the Company's consolidated financial statements contained herein. Additionally, the partners' ownership interests in each of the joint ventures are accounted for as redeemable noncontrolling interests. For further discussion, refer to Note 9.

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The first joint venture (the “Core JV I”) holds one property (The James) that completed construction and opened for operations in August 2017. The Company's initial investment was $95.1 million for an approximate 68% interest in the joint venture, part of which was used to pay off the property's $68.7 million construction loan at closing. The transaction also provided the Company with an option to cause the joint venture partner to contribute a second property, Hub U District Seattle, to the joint venture during the fourth quarter 2017. As mentioned in Note 15, the Company exercised this option and the contribution of the property to the joint venture is anticipated to close during the fourth quarter 2017. The Company's initial investment in the property will be approximately $40.6 million. Additionally, the Company has an option to purchase the remaining ownership interests in the joint venture in the fourth quarter of 2019 under a put/call agreement with the joint venture partner for an amount to be determined by the fair market value of the properties at the date of exercise. The value of the remaining ownership interests upon exercise of the option is anticipated to approximate $68.8 million.

The second joint venture (the “Core JV II”) holds three in-process development properties that are currently under construction and are scheduled to complete construction and open for operations in Fall 2018. The Company's initial investment was $24.2 million for an approximate 58% interest in the joint venture. Upon the initial funding, the Company assumed sole operational control, while the partner retained certain limited decision making abilities, including responsibility for the development and delivery of the properties within an agreed-upon budget and completion timeline. The joint venture partner has also provided a payment guarantee for the construction loans that are partially financing the construction of the properties. Subsequent to the successful completion and delivery of the assets, which is expected to occur in September 2018, the Company anticipates increasing its investment in Core JV II by $130.6 million as a result of paying off the construction loans. Additionally, the Company has an option to purchase the remaining ownership interests in the joint venture in the third quarter of 2019 under a put/call agreement with the joint venture partner for an amount to be determined by the fair market value of the properties at the date of exercise. The value of the remaining ownership interests upon exercise of the option is anticipated to approximate $85.2 million.

A list of the properties contributed to joint ventures as part of the Core Transaction are as follows:

Property	Location	Primary University Served	Actual or Targeted Completion Date	Beds
Core JV I:				
The James	Madison, WI	University of Wisconsin - Madison	August 2017	850
Hub U District Seattle[1]	Seattle, WA	University of Washington	September 2017	248
				1,098
Core JV II:				
Hub Ann Arbor	Ann Arbor, MI	University of Michigan	September 2018	310
Hub Flagstaff	Flagstaff, AZ	Northern Arizona University	September 2018	591
Hub West Lafayette	West Lafayette, IN	Purdue University	September 2018	599
				1,500
				2,598

(1) Subject to an option that had not been exercised as of September 30, 2017 (see Note 15).

Other 2017 Property Acquisitions: During the nine months ended September 30, 2017, the Company acquired two additional wholly-owned properties containing 982 beds for approximately $158.5 million. Total cash consideration was approximately $158.0 million. The difference between the contracted purchase price and the cash consideration is due to other assets and liabilities that were not part of the contractual purchase price, but were acquired in the transactions, as well as transaction costs capitalized as part of the acquisitions.

A list of these properties is outlined below:

Property	Location	Primary University Served	Acquisition Date	Beds
The Arlie	Arlington, TX	University of Texas Arlington	April 2017	598
TWELVE at U District	Seattle, WA	University of Washington	June 2017	384
				982

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2017 Land Acquisitions: During the nine months ended September 30, 2017, the Company purchased five land parcels with a fair value of $12.0 million for total cash consideration of approximately $8.9 million. The difference between the fair value of the land and the cash consideration represents non-cash consideration. In addition, the Company made an initial investment of $9.0 million in a joint venture that holds a land parcel with fair value of $12.0 million.

2016 Acquisition Activity: During the nine months ended September 30, 2016, the Company acquired University Crossings, a wholly-owned property containing 546 beds that is located adjacent to the University of North Carolina in Charlotte, NC for approximately $40.0 million. Also during the nine months ended September 30, 2016, the Company secured three in-process development properties containing 1,593 beds for a combined purchase price of approximately $66.0 million. As part of these transactions, the Company assumed approximately $10.0 million of fixed rate mortgage debt.

4. Property Dispositions

During the nine months ended September 30, 2017, the Company sold the following wholly-owned property for approximately $25.0 million, resulting in net proceeds of approximately $24.5 million. The net loss on this disposition totaled approximately $0.6 million. Concurrent with the classification of this property as held for sale in December 2016, the Company reduced the property's carrying amount to its estimated fair value less estimated selling costs, and recorded an impairment charge of $4.9 million:

Property	Location	Primary University Served	Beds
The Province - Dayton	Dayton, OH	Wright State University	657

During the nine months ended September 30, 2016, the Company sold two wholly-owned properties containing 1,324 beds for a total sales price of approximately $73.8 million, resulting in net proceeds of approximately $72.6 million. The combined net gain on these dispositions totaled approximately $17.4 million. Additionally, the Company had a portfolio of 19 wholly-owned properties classified as held for sale as of September 30, 2016.

5. Investments in Wholly-Owned Properties

Wholly-owned properties consisted of the following:

	September 30, 2017	December 31, 2016
Land [1] [2]	$ 649,597	$ 568,266
Buildings and improvements	5,986,682	5,065,137
Furniture, fixtures and equipment	366,581	303,240
Construction in progress [2]	273,367	349,498
	7,276,227	6,286,141
Accumulated depreciation	(1,014,150)	(859,127)
Wholly-owned properties, net	$ 6,262,077	$ 5,427,014 [3]

(1) The land balance above includes undeveloped land parcels with book values of approximately $45.5 million and $38.5 million as of September 30, 2017 and December 31, 2016, respectively. It also includes land totaling approximately $29.9 million and $61.2 million as of September 30, 2017 and December 31, 2016, respectively, related to properties under development.

(2) Land includes $19.3 million as of September 30, 2017 and construction in progress includes $60.0 million and $1.9 million as of September 30, 2017 and December 31, 2016, respectively, related to in-process development properties, held by entities determined to be VIEs. The entities that own the properties are deemed to be VIEs, and the Company is determined to be the primary beneficiary of the VIEs.

(3) Excludes the net book value of one property classified as held for sale in the accompanying consolidated balance sheets at December 31, 2016.

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6. On-Campus Participating Properties

On-campus participating properties are as follows:

Lessor/University	Lease Commencement	Required Debt Repayment	Historical Cost	
			September 30, 2017	December 31, 2016
Texas A&M University System / Prairie View A&M University [1]	2/1/1996	9/1/2023	$46,446	$ 45,310
Texas A&M University System / Texas A&M International	2/1/1996	9/1/2023	7,271	7,215
Texas A&M University System / Prairie View A&M University [2]	10/1/1999	8/31/2025 8/31/2028	29,207	28,627
University of Houston System / University of Houston [3]	9/27/2000	8/31/2035	38,328	37,960
West Virginia University System / West Virginia University	7/16/2013	7/16/2045	44,597	43,817
			165,849	162,929
Accumulated amortization			(82,754)	(77,132)
On-campus participating properties, net			$83,095	$ 85,797

[1] Consists of three phases placed in service between 1996 and 1998.
[2] Consists of two phases placed in service in 2000 and 2003.
[3] Consists of two phases placed in service in 2001 and 2005.

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7. Debt

A summary of the Company's outstanding consolidated indebtedness is as follows:

	September 30, 2017	December 31, 2016
Debt secured by wholly-owned properties:		
Mortgage loans payable:		
Unpaid principal balance	$ 523,328	$ 559,642
Unamortized deferred financing costs	(2,349)	(3,040)
Unamortized debt premiums	20,697	26,830
	541,676	583,432
Construction loans payable [1]	22,422	—
Unamortized deferred financing costs	(1,382)	—
	562,716	583,432
Debt secured by on-campus participating properties:		
Mortgage loans payable	70,257	71,662
Bonds payable	30,575	33,870
Unamortized deferred financing costs	(674)	(769)
	100,158	104,763
Total secured mortgage, construction and bond debt	662,874	688,195
Unsecured notes, net of unamortized OID and deferred financing costs [2]	1,190,296	1,188,737
Unsecured term loans, net of unamortized deferred financing costs [3]	646,675	149,065
Unsecured revolving credit facility	266,440	99,300
Total debt, net	$ 2,766,285	$ 2,125,297

(1) Construction loans payable relates to construction loans partially financing the development of four in-process development properties. These properties are owned by entities determined to be VIEs for which the Company is the primary beneficiary, including one of the joint ventures formed as part of the Core Transaction discussed in Note 3. The creditors of these construction loans do not have recourse to the assets of the Company.

(2) Includes net unamortized original issue discount ("OID") of $1.7 million at September 30, 2017 and $1.9 million at December 31, 2016, and net unamortized deferred financing costs of $8.0 million at September 30, 2017 and $9.3 million at December 31, 2016.

(3) Includes net unamortized deferred financing costs of $3.3 million at September 30, 2017 and $0.9 million at December 31, 2016.

Mortgage and Construction Loans Payable

During the nine months ended September 30, 2017, the Company paid off approximately $30.5 million of fixed rate mortgage debt secured by one wholly-owned property. In the third quarter of 2017, as part of the Core Transaction discussed in detail in Note 3, Core JV I paid off $68.7 million of construction debt with proceeds from the Company's initial investment in the joint venture. During the nine months ended September 30, 2016, the Company paid off approximately $152.6 million of fixed rate mortgage debt secured by nine wholly-owned properties.

In May 2017, the lender of the non-recourse mortgage loan secured by Blanton Common, a wholly-owned property located near Valdosta State University which was acquired as part of the GMH student housing transaction in 2008,

sent a formal notice of default and initiated foreclosure proceedings. The property generates insufficient cash flow to cover the debt service on the mortgage, which had a balance of $27.4 million at September 30, 2017 and a contractual maturity date of August 2017. In May 2017, the lender began receiving the net operating cash flows of the property each month in lieu of scheduled monthly mortgage payments. In August 2017, the property transferred to receivership and a third-party manager began managing the property on behalf of the lender. As of September 30, 2017, the Company was cooperating with the lender to allow for a consensual foreclosure process upon which the property will be surrendered to the lender in satisfaction of the mortgage loan. As discussed in Note 2, in June 2017, the Company recorded an impairment charge for this property of $15.3 million.

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Unsecured Notes

The Company has issued the following senior unsecured notes:

Date Issued	Amount	% of Par Value	Coupon	Yield	Original Issue Discount	Term (Years)
April 2013	$400,000	99.659	3.750%	3.791%	$ 1,364	10
June 2014	400,000	99.861	4.125%	4.269% [1]	556	10
September 2015	400,000	99.811	3.350%	3.391%	756	5
	$1,200,000				$ 2,676	

[1] The yield includes the effect of the amortization of interest rate swap terminations (see Note 11).

The notes are fully and unconditionally guaranteed by the Company. Interest on the notes is payable semi-annually. The terms of the unsecured notes include certain financial covenants that require the Operating Partnership to limit the amount of total debt and secured debt as a percentage of total asset value, as defined. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as a minimum interest coverage level. As of September 30, 2017, the Company was in compliance with all such covenants.

Unsecured Revolving Credit Facility

In January 2017, the Company entered into the Fifth Amended and Restated Credit Agreement (the “Agreement”). Pursuant to the Agreement, the Company increased the size of its unsecured revolving credit facility from $500 million to $700 million, which may be expanded by up to an additional $500 million upon the satisfaction of certain conditions. In connection with the Agreement, the maturity date of the revolving credit facility was extended from March 2018 to March 2022.

The unsecured revolving credit facility bears interest at a variable rate, at the Company’s option, based upon a base rate of one-, two-, three- or six-month LIBOR, plus, in each case, a spread based upon the Company’s investment grade rating from either Moody’s Investor Services, Inc. or Standard & Poor’s Rating Group. Additionally, the Company is required to pay a facility fee of 0.20% per annum on the $700 million revolving credit facility. As of September 30, 2017, the revolving credit facility bore interest at a weighted average annual rate of 2.44% (1.24% + 1.00% spread + 0.20% facility fee), and availability under the revolving credit facility totaled $433.6 million.

The terms of the unsecured credit facility include certain restrictions and covenants, which limit, among other items, the incurrence of additional indebtedness and liens. The facility contains customary affirmative and negative covenants and also contains financial covenants that, among other things, require the Company to maintain certain maximum leverage ratios and minimum ratios of “EBITDA” (earnings before interest, taxes, depreciation and amortization) to fixed charges. The financial covenants also include a minimum asset value requirement, a maximum secured debt ratio, and a minimum unsecured debt service coverage ratio. As of September 30, 2017, the Company was in compliance with all such covenants.

Unsecured Term Loans

The Company has a $150 million unsecured term loan (“Term Loan I Facility”) which has an accordion feature that allows the Company to expand the amount by up to an additional $50 million, subject to the satisfaction of certain

conditions. The maturity date of the Term Loan I Facility is March 2021. The weighted average annual rate on the Term Loan I Facility was 2.33% (1.23% + 1.10% spread) at September 30, 2017.

In June 2017, the Company entered into an Unsecured Term Loan Credit Agreement (the "New Term Loan II Facility") totaling $200 million. The maturity date of the New Term Loan II Facility is June 2022. The agreement has an accordion feature that allows the Company to expand the amount by up to an additional $100 million, subject to the satisfaction of certain conditions. The weighted average annual rate on the New Term Loan II Facility was 2.34% (1.24% + 1.10% spread), at September 30, 2017.

In September 2017, the Company entered into an Unsecured Term Loan Credit Agreement ("Term Loan III Facility") totaling $300 million. The maturity date of the Term Loan III Facility is September 2018, and can be extended for two one-year periods at the Company's option, subject to the satisfaction of certain conditions. The agreement has an accordion feature that allows the

Company to expand the amount by up to an additional $100 million, subject to the satisfaction of certain conditions. The weighted average annual rate on this term loan was 2.34% (1.24% + 1.10% spread) at September 30, 2017. The terms of the term loan facilities described above include certain restrictions and covenants consistent with those of the unsecured revolving credit facility discussed above. As of September 30, 2017, the Company was in compliance with all such covenants.

8. Stockholders’ Equity / Partners’ Capital

Stockholders’ Equity - Company

In June 2015, the Company established an at-the-market share offering program (the “ATM Equity Program”) through which the Company may issue and sell, from time to time, shares of common stock having an aggregate offering price of up to $500 million. Actual sales under the program will depend on a variety of factors, including, but not limited to, market conditions, the trading price of the Company’s common stock and determinations of the appropriate sources of funding for the Company.

The following table presents activity under the Company’s ATM Equity Program during the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total net proceeds	$1,135	$ 62,374	$188,538	$ 62,374
Commissions paid to sales agents	$14	$ 790	$2,374	$ 790
Weighted average price per share	$48.09	$ 50.98	$48.34	$ 50.98
Shares of common stock sold	23,900	1,239,000	3,949,356	1,239,000

As of September 30, 2017, the Company had approximately $233.0 million available for issuance under its ATM Equity Program.

In February 2016, ACC completed an equity offering, consisting of the sale of 17,940,000 shares of ACC’s common stock at a price of $41.25 per share, including 2,340,000 shares issued as a result of the exercise of the underwriters’ overallotment option in full at closing. The offering generated gross proceeds of approximately $740.0 million. The aggregate proceeds to ACC, net of the underwriting discount and expenses of the offering, were approximately $707.3 million.

In 2015, the Company established a Non-Qualified Deferred Compensation Plan (“Deferred Compensation Plan”) maintained for the benefit of certain employees and members of the Company’s Board of Directors, in which vested share awards (see Note 10), salary and other cash amounts earned may be deposited. Deferred Compensation Plan assets are held in a rabbi trust, which is subject to the claims of the Company’s creditors in the event of bankruptcy or insolvency. The shares held in the Deferred Compensation Plan are classified within stockholders’ equity in a manner similar to the manner in which treasury stock is classified. Subsequent changes in the fair value of the shares are not recognized. During the nine months ended September 30, 2017, 43,597 shares of ACC’s common stock were deposited into the Deferred Compensation Plan. As of September 30, 2017, 63,778 shares of ACC’s common stock were held in the Deferred Compensation Plan.

Partners' Capital – Operating Partnership

In connection with the equity offering and ATM Equity Program discussed above, ACCOP issued a number of American Campus Operating Partnership Common OP Units ("Common OP Units") to ACC equivalent to the number of common shares issued by ACC.

9. Noncontrolling Interests

Interests in Consolidated Real Estate Joint Ventures and Presale Arrangements

Noncontrolling interests - partially owned properties: As of September 30, 2017, the Operating Partnership consolidates three joint ventures that own and operate three owned off-campus properties. Additionally, in December 2016, the Company entered

into a pre-sale agreement to purchase The Edge at Stadium Centre. The portion of net assets attributable to the third-party partners in these arrangements is classified as “noncontrolling interests - partially owned properties” within equity and capital on the accompanying consolidated balance sheets of ACC and the Operating Partnership, respectively.

Redeemable noncontrolling interests (ACC) / redeemable limited partners (Operating Partnership): As part of the Core Transaction discussed in detail in Note 3, the Company entered into two joint venture arrangements in the third quarter of 2017. The company is consolidating these joint ventures and the noncontrolling interest holder in each of these consolidated joint ventures has the option to redeem its noncontrolling interest in the entities through the exercise of put options. The options will be exercisable in the third and fourth quarter of 2019, and the redemption price is based on the fair value of the properties at the time of option exercise. As the exercise of the options is outside of the Company’s control, the portion of net assets attributable to the third-party partner in each of the joint ventures is classified as “redeemable noncontrolling interests” and “redeemable limited partners” in the mezzanine section of the accompanying consolidated balance sheets of ACC and the Operating Partnership, respectively. During the nine months ended September 30, 2017, there were no changes in the redemption value of redeemable noncontrolling interests that resulted from a change in the fair value of the net assets held by consolidated joint ventures. For further discussion on accounting for changes in redemption value, refer to Note 2.

The third-party partners’ share of the income or loss of the joint ventures described above is calculated based on the partners' economic interest in the joint ventures and is included in “net income attributable to noncontrolling interests” on the consolidated statements of comprehensive income of ACC, and is reported as “net income attributable to noncontrolling interests - partially owned properties” on the consolidated statements of comprehensive income of the Operating Partnership.

Operating Partnership Ownership

Also included in redeemable noncontrolling interests (ACC) / redeemable limited partners (Operating Partnership) are OP Units for which the Operating Partnership is required, either by contract or securities law, to deliver registered common shares of ACC to the exchanging OP unit holder, or for which the Operating Partnership has the intent or history of exchanging such units for cash. The units classified as such include Series A Preferred Units (“Preferred OP Units”) as well as Common OP Units. The value of redeemable noncontrolling interests (ACC) / redeemable limited partners (Operating Partnership) related to OP Units on the accompanying consolidated balance sheets is reported at the greater of fair value, which is based on the closing market value of the Company’s common stock at period end, or historical cost at the end of each reporting period. The OP Unitholders’ share of the income or loss of the Company is included in “net income attributable to noncontrolling interests” on the consolidated statements of comprehensive income of ACC.

As of both September 30, 2017 and December 31, 2016, approximately 0.8% of the equity interests of the Operating Partnership were held by owners of Common OP Units and Preferred OP Units not held by ACC or ACC Holdings. During the nine months ended September 30, 2017, 22,000 Common OP Units were converted into an equal number of shares of ACC’s common stock. During the year ended December 31, 2016, 280,915 Common OP Units and 31,846 Preferred OP Units were converted into an equal number of shares of ACC’s common stock.

Below is a table summarizing the activity of redeemable noncontrolling interests (ACC) / redeemable limited partners (Operating Partnership) for the nine months ended September 30, 2017, which includes both the redeemable joint

venture partners and OP Units discussed above:

December 31, 2016	$55,078
Net income	322
Distributions	(61,019)
Conversion of redeemable limited partner units into shares of ACC common stock	(154)
Contribution of properties from noncontrolling interest	123,986
Adjustments to reflect redeemable limited partner units at fair value	(5,943)
September 30, 2017	$112,270

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10. Incentive Award Plan

Restricted Stock Units ("RSUs")

Upon reelection to the Board of Directors in May 2017, all members of the Company's Board of Directors were granted RSUs in accordance with the American Campus Communities, Inc. 2010 Incentive Award Plan (the "Plan"). These RSUs were valued at $150,000 for the Chairman of the Board of Directors and at $105,000 for all other members. Additionally, effective July 1, 2017, the Board of Directors' compensation program was revised to reflect an increase in RSUs of $10,000 for all members of the Board of Directors. The number of RSUs was determined based on the fair market value of the Company's stock on the date of grant, as defined in the Plan. All awards vested and settled immediately on the date of grant, and the Company delivered shares of common stock and cash, as determined by the Compensation Committee of the Board of Directors. A compensation charge of approximately $0.9 million was recorded during the nine months ended September 30, 2017 related to these awards and is included in general and administrative expenses on the Company's consolidated statements of comprehensive income.

A summary of ACC's RSUs under the Plan as of September 30, 2017 and activity during the nine months then ended is presented below:

	Number of RSUs
Outstanding at December 31, 2016	—
Granted	18,221
Settled in common shares	(16,295)
Settled in cash	(1,926)
Outstanding at September 30, 2017	—

Restricted Stock Awards ("RSAs")

A summary of RSAs under the Plan as of September 30, 2017 and activity during the nine months then ended, is presented below:

	Number of RSAs
Nonvested balance at December 31, 2016	773,101
Granted	344,688
Vested	(193,186)
Forfeited [1]	(110,875)
Nonvested balance at September 30, 2017	813,728

[1] Includes shares withheld to satisfy tax obligations upon vesting.

The fair value of RSAs is calculated based on the closing market value of ACC's common stock on the date of grant. The fair value of these awards is amortized to expense over the vesting periods, which amounted to approximately $2.4 million and $2.2 million for the three months ended September 30, 2017 and 2016, respectively, and $10.6 million and $7.1 million for the nine months ended September 30, 2017 and 2016, respectively. The amortization of restricted stock awards for the nine months ended September 30, 2017 includes $2.4 million of contractual executive separation and retirement charges incurred with regard to the retirement of the Company's former Chief Financial Officer, representing the June 30, 2017 vesting of 46,976 RSAs, net of shares withheld for

taxes, related to the retirement.

11. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

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Cash Flow Hedges of Interest Rate Risk

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and forward starting swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Forward starting swaps are used to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a forecasted issuance of debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in other comprehensive income (outside of earnings) and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. Ineffectiveness resulting from the derivative instruments summarized below was immaterial for both the three and nine month periods ended September 30, 2017 and 2016.

The following table summarizes the Company’s outstanding interest rate swap contracts as of September 30, 2017:

Hedged Debt Instrument	Effective Date	Maturity Date	Pay Fixed Rate	Receive Floating Rate Index	Current Notional Amount	Fair Value
Cullen Oaks mortgage loan	Feb 18, 2014	Feb 15, 2021	2.2750%	LIBOR - 1 month	$ 13,830	$ (224)
Cullen Oaks mortgage loan	Feb 18, 2014	Feb 15, 2021	2.2750%	LIBOR - 1 month	13,973	(226)
Park Point mortgage loan	Nov 1, 2013	Oct 5, 2018	1.5450%	LIBOR - 1 month	70,000	(60)
				Total	$ 97,803	$ (510)

In January 2017, the interest rate swaps on the Term Loan I Facility expired, and the remaining immaterial balance in accumulated other comprehensive income was reclassified into earnings.
The table below presents the fair value of the Company’s derivative financial instruments as well as their classification on the consolidated balance sheets as of September 30, 2017 and December 31, 2016:

	Liability Derivatives		
		Fair Value as of	
Description	Balance Sheet Location	September 30, 2017	December 31, 2016
Interest rate swaps contracts	Other liabilities	$ 510	$ 1,099
Total derivatives designated as hedging instruments		$ 510	$ 1,099

12. Fair Value Disclosures

Financial Instruments Carried at Fair Value

The following table presents information about the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input

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significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Disclosures concerning financial instruments measured at fair value are as follows:

	Fair Value Measurements as of September 30, 2017				December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities:								
Derivative financial instruments	$—	$510	$—	$510	$—	$1,099	$—	$1,099
Mezzanine:								
Redeemable noncontrolling interests (Company)/Redeemable limited partners (Operating Partnership)	$—	$50,887	$61,383	$112,270	$—	$55,078	$—	$55,078

The Company uses derivative financial instruments, specifically interest rate swaps and forward starting swaps, for nontrading purposes. The Company uses interest rate swaps to manage interest rate risk arising from previously unhedged interest payments associated with variable rate debt and forward starting swaps to reduce exposure to variability in cash flows relating to interest payments on forecasted issuances of debt. Through September 30, 2017, derivative financial instruments were designated and qualified as cash flow hedges. Derivative contracts with positive net fair values inclusive of net accrued interest receipts or payments are recorded in other assets. Derivative contracts with negative net fair values, inclusive of net accrued interest payments or receipts, are recorded in other liabilities. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Company incorporates credit valuation adjustments to appropriately reflect its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees.

Although the Company has determined the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparty. However, as of September 30, 2017 and December 31, 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivative financial instruments. As a result, the Company has determined each of its derivative valuations in its entirety is classified in Level 2 of the fair value hierarchy.

The OP Unit component of redeemable noncontrolling interests has a redemption feature and is marked to its redemption value. The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, these instruments are classified in Level 2 of the fair value hierarchy.

As discussed in Note 2 and Note 9, the redeemable noncontrolling interests related to the joint venture partners in the Core Transaction are marked to their redemption value at each balance sheet date. The redemption value is based on the fair value of the underlying properties held by the joint ventures. This analysis incorporates information obtained from a number of sources, including the Company's analysis of comparable properties in the Company's portfolio, estimations of net operating results of the properties, capitalization rates, discount rates, and other market data. The Company has determined these estimates are primarily based upon unobservable inputs and therefore are considered to be Level 3 inputs within the fair value hierarchy.

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Financial Instruments Not Carried at Fair Value

Cash and Cash Equivalents, Restricted Cash, Student Contracts Receivable, Other Assets, Accounts Payable and Accrued Expenses and Other Liabilities: The Company estimates that the carrying amount approximates fair value, due to the short maturity of these instruments.

Loans Receivable: The fair value of loans receivable is based on a discounted cash flow analysis consisting of scheduled cash flows and discount rate estimates to approximate those that a willing buyer and seller might use. These financial instruments utilize Level 3 inputs.

Mortgage Loans Payable: The fair value of mortgage loans payable is based on the present value of the cash flows at current market interest rates through maturity. The Company has concluded the fair value of these financial instruments utilize Level 2 inputs as the majority of the inputs used to value these instruments fall within Level 2 of the fair value hierarchy.

Bonds Payable: The fair value of bonds payable is based on quoted prices in markets that are not active due to the unique characteristics of these financial instruments; as such, the Company has concluded the inputs used to measure fair value fall within Level 2 of the fair value hierarchy.

Unsecured Notes: In calculating the fair value of unsecured notes, interest rate and spread assumptions reflect current creditworthiness and market conditions available for the issuance of unsecured notes with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

Construction Loans Payable, Unsecured Revolving Credit Facility, and Unsecured Term Loans: The fair value of these instruments approximates their carrying values due to the variable interest rate feature of these instruments.

The table below contains the estimated fair value and related carrying amounts for the Company's financial instruments as of September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount
Assets:				
Loans receivable	$54,396	$61,052	$54,396	$58,539
Liabilities:				
Unsecured notes	$1,232,338	$1,190,296 [1]	$1,211,344	$1,188,737 [1]
Mortgage loans payable	603,789	611,657 [2]	644,617	654,794 [2]
Bonds payable	32,983	30,177	37,066	33,401

[1] Includes net unamortized OID and net unamortized deferred financing costs (see Note 7).
[2] Includes net unamortized debt premiums and discounts and net unamortized deferred financing costs (see Note 7).

13. Commitments and Contingencies

Commitments

Construction Contracts: As of September 30, 2017, excluding four properties under construction and subject to presale arrangements which are being funded by construction loans, the Company estimates additional costs to complete eight wholly-owned development projects under construction to be approximately $383.6 million.

Joint Ventures: As discussed in Note 3, as part of the Core Transaction, the Company entered into two joint ventures during the third quarter of 2017. As part of this transaction, the Company is obligated to increase its investment in the joint ventures over a two year period, resulting in a funding commitment of approximately $325.2 million, including the Company's $40.6 million initial investment related to Hub U District Seattle anticipated to close during the fourth quarter of 2017.

Pre-sale Arrangements: In December 2016, the Company entered into a pre-sale agreement to purchase The Edge - Stadium Centre, a property which will be completed in August 2018. Total estimated development costs of approximately $42.6 million include

the purchase price, elected upgrades, and capitalized transaction costs. The Company is obligated to purchase the property as long as certain construction completion deadlines and other closing conditions are met.

The Company expects to fund the commitments mentioned above through a combination of proceeds from cash flows generated from operations, anticipated property dispositions, joint venture activity, and a combination of debt and equity transactions, which may include net proceeds from the ATM Equity Program discussed in Note 8, borrowings under the Company's existing unsecured credit facilities, and accessing the unsecured bond market.

Development-related Guarantees: For certain of its third-party development projects, the Company commonly provides alternate housing and project cost guarantees, subject to force majeure. These guarantees are typically limited, on an aggregate basis, to the amount of the projects' related development fees or a contractually agreed-upon maximum exposure amount. Alternate housing guarantees generally require the Company to provide substitute living quarters and transportation for students to and from the university if the project is not complete by an agreed-upon completion date. These guarantees typically expire at the later of five days after completion of the project or once the Company has moved all students from the substitute living quarters into the project. Under project cost guarantees, the Company is responsible for the construction cost of a project in excess of an approved budget. The budget consists primarily of costs included in the general contractors' guaranteed maximum price contract ("GMP"). In most cases, the GMP obligates the general contractor, subject to force majeure and approved change orders, to provide completion date guarantees and to cover cost overruns and liquidated damages. In addition, the GMP is typically secured with payment and performance bonds. Project cost guarantees expire upon completion of certain developer obligations, which are normally satisfied within one year after completion of the project. The Company's estimated maximum exposure amount under the above guarantees is approximately $4.0 million as of September 30, 2017. As of September 30, 2017, management did not anticipate any material deviations from schedule or budget related to third-party development projects currently in progress.

In the normal course of business, the Company enters into various development-related purchase commitments with parties that provide development-related goods and services. In the event that the Company was to terminate development services prior to the completion of projects under construction, the Company could potentially be committed to satisfy outstanding purchase orders with such parties.

Conveyance to University: In August 2013, the Company entered into an agreement to convey fee interest in a parcel of land, on which one of the Company's student housing properties resides (University Crossings), to Drexel University (the "University"). Concurrent with the land conveyance, the Company as lessee entered into a ground lease agreement with the University as lessor for an initial term of 40 years, with three 10-year extensions, at the Company's option. The Company also agreed to convey the building and improvements to the University at an undetermined date in the future and to pay real estate transfer taxes not to exceed $2.4 million. The Company paid approximately $0.6 million in real estate transfer taxes upon the conveyance of land to the University, leaving approximately $1.8 million to be paid by the Company upon the transfer of the building and improvements.

Contingencies

Litigation: The Company is subject to various claims, lawsuits and legal proceedings, 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 the

consolidated financial position or results of operations of the Company. However, the outcome of claims, lawsuits and legal proceedings brought against the Company is 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.

Letters of Intent: In the ordinary course of the Company's business, the Company enters into letters of intent indicating a willingness to negotiate for acquisitions, dispositions or joint ventures. Such letters of intent are non-binding (except with regard to exclusivity and confidentiality), and neither party to the letter of intent is obligated to pursue negotiations unless and until a definitive contract is entered into by the parties. Even if definitive contracts are entered into, the letters of intent relating to the acquisition and disposition of real property and resulting contracts generally contemplate that such contracts will provide the acquirer with time to evaluate the property and conduct due diligence, during which periods the acquirer will have the ability to terminate the contracts without penalty or forfeiture of any material deposit or earnest money. There can be no assurance that definitive contracts will be entered into with respect to any matter covered by letters of intent or that the Company will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. Once the due diligence period expires, the Company is then at risk under a real property acquisition contract, but only to

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the extent of any non-refundable earnest money deposits associated with the contract and subject to normal closing conditions being met.

Environmental Matters: The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, assets or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on the Company's results of operations and cash flows.

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14. Segments

The Company defines business segments by their distinct customer base and service provided. The Company has identified four reportable segments: Wholly-Owned Properties, On-Campus Participating Properties, Development Services, and Property Management Services. Management evaluates each segment's performance based on operating income before depreciation, amortization, minority interests and allocation of corporate overhead. Intercompany fees are reflected at the contractually stipulated amounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Wholly-Owned Properties				
Rental revenues and other income	$184,282	$186,504	$533,866	$548,403
Interest income	385	345	1,161	878
Total revenues from external customers	184,667	186,849	535,027	549,281
Operating expenses before depreciation, amortization, ground/facility leases and allocation of corporate overhead	(97,545)	(99,820)	(242,315)	(254,523)
Ground/facility leases	(1,877)	(1,614)	(5,163)	(4,520)
Interest expense, net [1]	(1,540)	(4,078)	(1,194)	(16,215)
Operating income before depreciation, amortization, and allocation of corporate overhead	$83,705	$81,337	$286,355	$274,023
Depreciation and amortization	$58,339	$49,464	$161,341	$151,740
Capital expenditures	$196,910	$119,589	$473,638	$329,932
Total segment assets at September 30,	$6,488,259	$6,062,852	$6,488,259	$6,062,852
On-Campus Participating Properties				
Total revenues and other income	$6,799	$6,758	$23,128	$23,018
Interest income	24	2	47	4
Total revenues from external customers	6,823	6,760	23,175	23,022
Operating expenses before depreciation, amortization, ground/facility leases and allocation of corporate overhead	(3,611)	(3,507)	(10,109)	(9,278)
Ground/facility leases	(452)	(351)	(1,988)	(2,216)
Interest expense	(1,312)	(1,394)	(3,987)	(4,231)
Operating income before depreciation, amortization and allocation of corporate overhead	$1,448	$1,508	$7,091	$7,297
Depreciation and amortization	$1,892	$1,839	$5,621	$5,493
Capital expenditures	$2,039	$1,446	$2,909	$2,510
Total segment assets at September 30,	$101,027	$105,774	$101,027	$105,774
Development Services				
Development and construction management fees	$3,566	$773	$4,697	$3,929
Operating expenses	(4,185)	(3,434)	(11,396)	(10,414)
Operating loss before depreciation, amortization and allocation of corporate overhead	$(619)	$(2,661)	$(6,699)	$(6,485)
Total segment assets at September 30,	$4,918	$2,279	$4,918	$2,279

Property Management Services				
Property management fees from external customers	$2,291	$2,376	$7,193	$7,039
Intersegment revenues	5,128	5,830	14,835	17,410
Total revenues	7,419	8,206	22,028	24,449
Operating expenses	(3,034)	(2,742)	(9,719)	(8,542)
Operating income before depreciation, amortization and allocation of corporate overhead	$4,385	$5,464	$12,309	$15,907
Total segment assets at September 30,	$11,067	$10,692	$11,067	$10,692

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Reconciliations				
Total segment revenues and other income	$202,475	$202,588	$584,927	$600,681
Unallocated interest income earned on investments and corporate cash	850	925	2,515	3,144
Elimination of intersegment revenues	(5,128)	(5,830)	(14,835)	(17,410)
Total consolidated revenues, including interest income	$198,197	$197,683	$572,607	$586,415
Segment operating income before depreciation, amortization and allocation of corporate overhead	$			