

AMERICAN CAMPUS COMMUNITIES INC  
Form 10-Q  
August 04, 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 June 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.)                       | 76-0753089 (American Campus Communities, Inc.)                       |
| Maryland (American Campus Communities Operating Partnership, L.P.) | 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    | 78738      |
| Austin, TX                               | (Zip Code) |
| (Address of Principal Executive Offices) |            |

(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

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filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

American Campus Communities,

Inc.

Large accelerated filer  Accelerated Filer

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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.

American Campus Communities Operating Partnership, L.P.

Large accelerated filer  Accelerated Filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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.

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  No

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

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 July 28, 2017.

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## EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 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 June 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 June 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.

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FORM 10-Q  
 FOR THE QUARTER ENDED June 30, 2017  
 TABLE OF CONTENTS

|                                                                                                                                                                                           | PAGE<br>NO. |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| PART I.                                                                                                                                                                                   |             |
| Item 1. Consolidated Financial Statements of American Campus Communities, Inc. and Subsidiaries:                                                                                          |             |
| Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016                                                                                                         | <u>1</u>    |
| Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016 (all unaudited)                                                                 | <u>2</u>    |
| Consolidated Statement of Changes in Equity for the six months ended June 30, 2017 (unaudited)                                                                                            | <u>3</u>    |
| Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (all unaudited)                                                                                     | <u>4</u>    |
| Consolidated Financial Statements of American Campus Communities Operating Partnership, L.P. and Subsidiaries:                                                                            |             |
| Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016                                                                                                         | <u>5</u>    |
| Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016 (all unaudited)                                                                 | <u>6</u>    |
| Consolidated Statement of Changes in Capital for the six months ended June 30, 2017 (unaudited)                                                                                           | <u>7</u>    |
| Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (all unaudited)                                                                                     | <u>8</u>    |
| Notes to Consolidated Financial Statements of American Campus Communities, Inc. and Subsidiaries and American Campus Communities Operating Partnership, L.P. and Subsidiaries (unaudited) | <u>9</u>    |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations                                                                                             | <u>30</u>   |
| Item 3. Quantitative and Qualitative Disclosure about Market Risk                                                                                                                         | <u>44</u>   |
| Item 4. Controls and Procedures                                                                                                                                                           | <u>44</u>   |
| PART II.                                                                                                                                                                                  |             |
| Item 1. Legal Proceedings                                                                                                                                                                 | <u>45</u>   |
| Item 1A. Risk Factors                                                                                                                                                                     | <u>45</u>   |

|                                                                     |           |
|---------------------------------------------------------------------|-----------|
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | <u>45</u> |
| Item 3. Defaults Upon Senior Securities                             | <u>45</u> |
| Item 4. Mine Safety Disclosures                                     | <u>45</u> |
| Item 5. Other Information                                           | <u>45</u> |
| Item 6. Exhibits                                                    | <u>46</u> |
| SIGNATURES                                                          | <u>47</u> |

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

|                                                                                                                                                                               | June 30,<br>2017<br>(Unaudited) | December 31,<br>2016 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|
| Assets                                                                                                                                                                        |                                 |                      |
| Investments in real estate:                                                                                                                                                   |                                 |                      |
| Wholly-owned properties, net                                                                                                                                                  | \$5,805,403                     | \$ 5,427,014         |
| Wholly-owned properties held for sale                                                                                                                                         | —                               | 25,350               |
| On-campus participating properties, net                                                                                                                                       | 82,940                          | 85,797               |
| Investments in real estate, net                                                                                                                                               | 5,888,343                       | 5,538,161            |
| Cash and cash equivalents                                                                                                                                                     | 25,476                          | 22,140               |
| Restricted cash                                                                                                                                                               | 28,319                          | 24,817               |
| Student contracts receivable, net                                                                                                                                             | 7,447                           | 8,428                |
| Other assets                                                                                                                                                                  | 275,388                         | 272,367              |
| Total assets                                                                                                                                                                  | \$6,224,973                     | \$ 5,865,913         |
| Liabilities and equity                                                                                                                                                        |                                 |                      |
| Liabilities:                                                                                                                                                                  |                                 |                      |
| Secured mortgage, construction and bond debt, net                                                                                                                             | \$680,556                       | \$ 688,195           |
| Unsecured notes, net                                                                                                                                                          | 1,189,775                       | 1,188,737            |
| Unsecured term loans, net                                                                                                                                                     | 347,417                         | 149,065              |
| Unsecured revolving credit facility                                                                                                                                           | 142,286                         | 99,300               |
| Accounts payable and accrued expenses                                                                                                                                         | 62,547                          | 76,614               |
| Other liabilities                                                                                                                                                             | 179,342                         | 158,437              |
| Total liabilities                                                                                                                                                             | 2,601,923                       | 2,360,348            |
| Commitments and contingencies (Note 13)                                                                                                                                       |                                 |                      |
| Redeemable noncontrolling interests                                                                                                                                           | 55,344                          | 55,078               |
| Equity:                                                                                                                                                                       |                                 |                      |
| American Campus Communities, Inc. and Subsidiaries stockholders' equity:                                                                                                      |                                 |                      |
| Common stock, \$0.01 par value, 800,000,000 shares authorized, 136,316,192 and 132,225,488 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively | 1,363                           | 1,322                |
| Additional paid in capital                                                                                                                                                    | 4,312,413                       | 4,118,842            |
| Common stock held in rabbi trust, 63,354 and 20,181 shares at June 30, 2017 and December 31, 2016, respectively                                                               | (1,688                          | ) (975               |
| Accumulated earnings and dividends                                                                                                                                            | (754,660                        | ) (670,137           |
| Accumulated other comprehensive loss                                                                                                                                          | (3,428                          | ) (4,067             |
| Total American Campus Communities, Inc. and Subsidiaries stockholders' equity                                                                                                 | 3,554,000                       | 3,444,985            |
| Noncontrolling interests - partially owned properties                                                                                                                         | 13,706                          | 5,502                |



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|                              |             |              |
|------------------------------|-------------|--------------|
| Total equity                 | 3,567,706   | 3,450,487    |
| Total liabilities and equity | \$6,224,973 | \$ 5,865,913 |

See accompanying notes to consolidated financial statements.

1

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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<br>June 30, |            | Six Months Ended June<br>30, |            |
|-------------------------------------------------------------------------------------|--------------------------------|------------|------------------------------|------------|
|                                                                                     | 2017                           | 2016       | 2017                         | 2016       |
| Revenues:                                                                           |                                |            |                              |            |
| Wholly-owned properties                                                             | \$ 169,156                     | \$ 174,682 | \$ 347,987                   | \$ 360,384 |
| On-campus participating properties                                                  | 6,171                          | 6,214      | 16,329                       | 16,260     |
| Third-party development services                                                    | 675                            | 2,121      | 1,131                        | 3,156      |
| Third-party management services                                                     | 2,288                          | 2,253      | 4,902                        | 4,663      |
| Resident services                                                                   | 718                            | 713        | 1,597                        | 1,515      |
| Total revenues                                                                      | 179,008                        | 185,983    | 371,946                      | 385,978    |
| Operating expenses:                                                                 |                                |            |                              |            |
| Wholly-owned properties                                                             | 75,172                         | 77,722     | 150,129                      | 156,573    |
| On-campus participating properties                                                  | 3,892                          | 3,299      | 7,157                        | 6,341      |
| Third-party development and management services                                     | 3,827                          | 3,560      | 7,910                        | 7,298      |
| General and administrative                                                          | 9,782                          | 6,126      | 16,516                       | 11,435     |
| Depreciation and amortization                                                       | 55,943                         | 53,703     | 108,266                      | 107,419    |
| Ground/facility leases                                                              | 2,465                          | 2,467      | 4,822                        | 4,771      |
| Provision for real estate impairment                                                | 15,317                         | —          | 15,317                       | —          |
| Total operating expenses                                                            | 166,398                        | 146,877    | 310,117                      | 293,837    |
| Operating income                                                                    | 12,610                         | 39,106     | 61,829                       | 92,141     |
| Nonoperating income and (expenses):                                                 |                                |            |                              |            |
| Interest income                                                                     | 1,232                          | 1,475      | 2,464                        | 2,754      |
| Interest expense                                                                    | (14,573 )                      | (20,119 )  | (29,290 )                    | (42,746 )  |
| Amortization of deferred financing costs                                            | (1,023 )                       | (1,352 )   | (2,051 )                     | (3,894 )   |
| (Loss) gain from disposition of real estate                                         | (632 )                         | —          | (632 )                       | 17,409     |
| Total nonoperating expense                                                          | (14,996 )                      | (19,996 )  | (29,509 )                    | (26,477 )  |
| (Loss) income before income taxes                                                   | (2,386 )                       | 19,110     | 32,320                       | 65,664     |
| Income tax provision                                                                | (267 )                         | (345 )     | (524 )                       | (690 )     |
| Net (loss) income                                                                   | (2,653 )                       | 18,765     | 31,796                       | 64,974     |
| Net income attributable to noncontrolling interests                                 |                                |            |                              |            |
| Redeemable noncontrolling interests                                                 | (12 )                          | (223 )     | (306 )                       | (741 )     |
| Partially owned properties                                                          | (97 )                          | (104 )     | (202 )                       | (208 )     |
| Net income attributable to noncontrolling interests                                 | (109 )                         | (327 )     | (508 )                       | (949 )     |
| Net (loss) income attributable to ACC, Inc. and Subsidiaries<br>common stockholders | \$(2,762 )                     | \$ 18,438  | \$ 31,288                    | \$ 64,025  |
| Other comprehensive income (loss)                                                   |                                |            |                              |            |
| Change in fair value of interest rate swaps and other                               | 155                            | (23 )      | 639                          | (1,433 )   |
| Comprehensive (loss) income                                                         | \$(2,607 )                     | \$ 18,415  | \$ 31,927                    | \$ 62,592  |

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Net (loss) income per share attributable to ACC, Inc. and  
Subsidiaries common stockholders

Basic and diluted \$ (0.02 ) \$ 0.14 \$ 0.23 \$ 0.50

Weighted-average common shares outstanding

Basic 134,614,418 30,456,923 133,837,748 26,951,454

Diluted 134,614,418 31,240,667 134,745,192 27,753,492

Distributions declared per common share

\$ 0.44 \$ 0.42 \$ 0.86 \$ 0.82

See accompanying notes to consolidated financial statements.

2

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

|                                                                                         | Common<br>Shares | Par<br>Value<br>of<br>Common<br>Shares | Additional<br>Paid<br>in<br>Capital | Common<br>Stock<br>Held<br>in<br>Rabbi<br>Trust | Common<br>Stock<br>Held in<br>Rabbi<br>Trust at<br>Cost | Accumulated<br>Earnings<br>and<br>Dividends | Accumulated<br>Other<br>Comprehensive<br>Loss | Noncontrolling<br>Interests –<br>Partially<br>Owned<br>Properties | Total       |
|-----------------------------------------------------------------------------------------|------------------|----------------------------------------|-------------------------------------|-------------------------------------------------|---------------------------------------------------------|---------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------|-------------|
| Equity,<br>December 31,<br>2016                                                         | 132,225,488      | \$ 1,322                               | \$4,118,842                         | 20,181                                          | \$(975 )                                                | \$(670,137 )                                | \$(4,067 )                                    | \$ 5,502                                                          | \$3,450,487 |
| Adjustments to<br>reflect<br>redeemable<br>noncontrolling<br>interests at fair<br>value | —                | —                                      | 2,092                               | —                                               | —                                                       | —                                           | —                                             | —                                                                 | 2,092       |
| Amortization<br>of restricted<br>stock awards                                           | —                | —                                      | 8,191                               | —                                               | —                                                       | —                                           | —                                             | —                                                                 | 8,191       |
| Vesting of<br>restricted stock<br>awards and<br>restricted stock<br>units               | 165,248          | 2                                      | (3,498 )                            | 43,173                                          | (713 )                                                  | —                                           | —                                             | —                                                                 | (4,209 )    |
| Distributions to<br>common and<br>restricted<br>stockholders                            | —                | —                                      | —                                   | —                                               | —                                                       | (115,811 )                                  | —                                             | —                                                                 | (115,811 )  |
| Distributions to<br>noncontrolling<br>interests -<br>partially owned<br>properties      | —                | —                                      | —                                   | —                                               | —                                                       | —                                           | —                                             | (156 )                                                            | (156 )      |
| Net proceeds<br>from sale of<br>common stock                                            | 3,925,456        | 39                                     | 186,786                             | —                                               | —                                                       | —                                           | —                                             | —                                                                 | 186,825     |
| Change in fair<br>value of<br>interest rate<br>swaps and<br>other                       | —                | —                                      | —                                   | —                                               | —                                                       | —                                           | 435                                           | —                                                                 | 435         |
| Amortization<br>of interest rate<br>swap<br>terminations                                | —                | —                                      | —                                   | —                                               | —                                                       | —                                           | 204                                           | —                                                                 | 204         |
|                                                                                         | —                | —                                      | —                                   | —                                               | —                                                       | —                                           | —                                             | 8,158                                                             | 8,158       |

Contributions  
by  
noncontrolling  
interest

|                          |             |          |              |        |           |             |            |           |              |
|--------------------------|-------------|----------|--------------|--------|-----------|-------------|------------|-----------|--------------|
| Net income               | —           | —        | —            | —      | —         | 31,288      | —          | 202       | 31,490       |
| Equity, June<br>30, 2017 | 136,316,192 | \$ 1,363 | \$ 4,312,413 | 63,354 | \$(1,688) | \$(754,660) | \$(3,428 ) | \$ 13,706 | \$ 3,567,706 |

See accompanying notes to consolidated financial statements.

3

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

|                                                                                   | Six Months Ended<br>June 30, |            |
|-----------------------------------------------------------------------------------|------------------------------|------------|
|                                                                                   | 2017                         | 2016       |
| Operating activities                                                              |                              |            |
| Net income                                                                        | \$31,796                     | \$64,974   |
| 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                                                     | 108,266                      | 107,419    |
| Amortization of deferred financing costs and debt premiums/discounts              | (1,806 )                     | (2,372 )   |
| Share-based compensation                                                          | 8,902                        | 5,492      |
| Income tax provision                                                              | 524                          | 690        |
| Amortization of interest rate swap terminations and other                         | 204                          | 205        |
| Changes in operating assets and liabilities:                                      |                              |            |
| Restricted cash                                                                   | (2,189 )                     | (4,238 )   |
| Student contracts receivable, net                                                 | 1,239                        | 11,283     |
| Other assets                                                                      | (13,814 )                    | 5,830      |
| Accounts payable and accrued expenses                                             | (16,020 )                    | (11,849 )  |
| Other liabilities                                                                 | (4,413 )                     | (8,730 )   |
| Net cash provided by operating activities                                         | 128,638                      | 151,295    |
| Investing activities                                                              |                              |            |
| Proceeds from disposition of properties                                           | 24,462                       | 72,640     |
| Cash paid for acquisition of operating and under development properties           | (157,967)                    | (57,132 )  |
| Cash paid for land acquisitions                                                   | (16,955 )                    | (856 )     |
| Capital expenditures for wholly-owned properties                                  | (36,026 )                    | (23,185 )  |
| Investments in wholly-owned properties under development                          | (240,702)                    | (187,158 ) |
| Capital expenditures for on-campus participating properties                       | (870 )                       | (1,064 )   |
| Change in escrow deposits for real estate investments                             | 225                          | 5,450      |
| Change in restricted cash related to capital reserves                             | 41                           | (928 )     |
| Purchase of corporate furniture, fixtures and equipment                           | (3,562 )                     | (3,377 )   |
| Net cash used in investing activities                                             | (431,354)                    | (195,610 ) |
| Financing activities                                                              |                              |            |
| Proceeds from sale of common stock                                                | 189,757                      | 740,025    |
| Offering costs                                                                    | (2,354 )                     | (31,972 )  |
| Pay-off of mortgage and construction loans                                        | —                            | (34,226 )  |
| Pay-off of unsecured term loans                                                   | —                            | (400,000 ) |
| Proceeds from unsecured term loan                                                 | 200,000                      | 150,000    |
| Proceeds from revolving credit facility                                           | 478,600                      | 67,700     |
| Paydowns of revolving credit facility                                             | (435,614)                    | (136,600 ) |
| Proceeds from construction loans                                                  | 1,037                        | —          |
| Scheduled principal payments on debt                                              | (6,494 )                     | (7,771 )   |
| Debt issuance and assumption costs                                                | (5,840 )                     | (744 )     |
| Contributions by noncontrolling interest                                          | 8,158                        | —          |
| Taxes paid on net-share settlements                                               | (4,283 )                     | (2,977 )   |

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|                                                                                |            |             |
|--------------------------------------------------------------------------------|------------|-------------|
| Distributions to common and restricted stockholders                            | (115,811)  | (107,639 )  |
| Distributions to noncontrolling interests                                      | (1,104 )   | (1,402 )    |
| Net cash provided by financing activities                                      | 306,052    | 234,394     |
| Net change in cash and cash equivalents                                        | 3,336      | 190,079     |
| Cash and cash equivalents at beginning of period                               | 22,140     | 16,659      |
| Cash and cash equivalents at end of period                                     | \$25,476   | \$206,738   |
| Supplemental disclosure of non-cash investing and financing activities         |            |             |
| Loans assumed in connection with property acquisitions                         | \$—        | \$(10,012 ) |
| Conversion of common and preferred operating partnership units to common stock | \$—        | \$259       |
| Non-cash contribution from noncontrolling interest                             | \$3,000    | \$—         |
| Non-cash consideration exchanged in purchase of land parcel                    | \$(3,071 ) | \$—         |
| Change in accrued construction in progress                                     | \$25,214   | \$27,472    |
| Change in fair value of derivative instruments, net                            | \$435      | \$(1,638 )  |
| Change in fair value of redeemable noncontrolling interests                    | \$2,092    | \$(14,879 ) |
| Supplemental disclosure of cash flow information                               |            |             |
| Cash paid for interest, net of amounts capitalized                             | \$32,925   | \$49,621    |

See accompanying notes to consolidated financial statements.

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

|                                                                                                                         | June 30,<br>2017<br>(Unaudited) | December 31,<br>2016 |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|
| Assets                                                                                                                  |                                 |                      |
| Investments in real estate:                                                                                             |                                 |                      |
| Wholly-owned properties, net                                                                                            | \$5,805,403                     | \$ 5,427,014         |
| Wholly-owned properties held for sale                                                                                   | —                               | 25,350               |
| On-campus participating properties, net                                                                                 | 82,940                          | 85,797               |
| Investments in real estate, net                                                                                         | 5,888,343                       | 5,538,161            |
| Cash and cash equivalents                                                                                               | 25,476                          | 22,140               |
| Restricted cash                                                                                                         | 28,319                          | 24,817               |
| Student contracts receivable, net                                                                                       | 7,447                           | 8,428                |
| Other assets                                                                                                            | 275,388                         | 272,367              |
| Total assets                                                                                                            | \$6,224,973                     | \$ 5,865,913         |
| Liabilities and capital                                                                                                 |                                 |                      |
| Liabilities:                                                                                                            |                                 |                      |
| Secured mortgage, construction and bond debt, net                                                                       | \$680,556                       | \$ 688,195           |
| Unsecured notes, net                                                                                                    | 1,189,775                       | 1,188,737            |
| Unsecured term loans, net                                                                                               | 347,417                         | 149,065              |
| Unsecured revolving credit facility                                                                                     | 142,286                         | 99,300               |
| Accounts payable and accrued expenses                                                                                   | 62,547                          | 76,614               |
| Other liabilities                                                                                                       | 179,342                         | 158,437              |
| Total liabilities                                                                                                       | 2,601,923                       | 2,360,348            |
| Commitments and contingencies (Note 13)                                                                                 |                                 |                      |
| Redeemable limited partners                                                                                             | 55,344                          | 55,078               |
| Capital:                                                                                                                |                                 |                      |
| Partners' capital:                                                                                                      |                                 |                      |
| General partner - 12,222 OP units outstanding at both June 30, 2017 and December 31, 2016                               | 74                              | 82                   |
| Limited partner - 136,367,324 and 132,233,447 OP units outstanding at June 30, 2017 and December 31, 2016, respectively | 3,557,354                       | 3,448,970            |
| Accumulated other comprehensive loss                                                                                    | (3,428 )                        | (4,067 )             |
| Total partners' capital                                                                                                 | 3,554,000                       | 3,444,985            |
| Noncontrolling interests - partially owned properties                                                                   | 13,706                          | 5,502                |
| Total capital                                                                                                           | 3,567,706                       | 3,450,487            |
| Total liabilities and capital                                                                                           | \$6,224,973                     | \$ 5,865,913         |



See accompanying notes to consolidated financial statements.

5

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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<br>June 30, |            | Six Months Ended June<br>30, |            |
|-------------------------------------------------------------------------------------------|--------------------------------|------------|------------------------------|------------|
|                                                                                           | 2017                           | 2016       | 2017                         | 2016       |
| Revenues:                                                                                 |                                |            |                              |            |
| Wholly-owned properties                                                                   | \$ 169,156                     | \$ 174,682 | \$ 347,987                   | \$ 360,384 |
| On-campus participating properties                                                        | 6,171                          | 6,214      | 16,329                       | 16,260     |
| Third-party development services                                                          | 675                            | 2,121      | 1,131                        | 3,156      |
| Third-party management services                                                           | 2,288                          | 2,253      | 4,902                        | 4,663      |
| Resident services                                                                         | 718                            | 713        | 1,597                        | 1,515      |
| Total revenues                                                                            | 179,008                        | 185,983    | 371,946                      | 385,978    |
| Operating expenses:                                                                       |                                |            |                              |            |
| Wholly-owned properties                                                                   | 75,172                         | 77,722     | 150,129                      | 156,573    |
| On-campus participating properties                                                        | 3,892                          | 3,299      | 7,157                        | 6,341      |
| Third-party development and management services                                           | 3,827                          | 3,560      | 7,910                        | 7,298      |
| General and administrative                                                                | 9,782                          | 6,126      | 16,516                       | 11,435     |
| Depreciation and amortization                                                             | 55,943                         | 53,703     | 108,266                      | 107,419    |
| Ground/facility leases                                                                    | 2,465                          | 2,467      | 4,822                        | 4,771      |
| Provision for real estate impairment                                                      | 15,317                         | —          | 15,317                       | —          |
| Total operating expenses                                                                  | 166,398                        | 146,877    | 310,117                      | 293,837    |
| Operating income                                                                          | 12,610                         | 39,106     | 61,829                       | 92,141     |
| Nonoperating income and (expenses):                                                       |                                |            |                              |            |
| Interest income                                                                           | 1,232                          | 1,475      | 2,464                        | 2,754      |
| Interest expense                                                                          | (14,573 )                      | (20,119 )  | (29,290 )                    | (42,746 )  |
| Amortization of deferred financing costs                                                  | (1,023 )                       | (1,352 )   | (2,051 )                     | (3,894 )   |
| (Loss) gain from disposition of real estate                                               | (632 )                         | —          | (632 )                       | 17,409     |
| Total nonoperating expense                                                                | (14,996 )                      | (19,996 )  | (29,509 )                    | (26,477 )  |
| (Loss) income before income taxes                                                         | (2,386 )                       | 19,110     | 32,320                       | 65,664     |
| Income tax provision                                                                      | (267 )                         | (345 )     | (524 )                       | (690 )     |
| Net (loss) income                                                                         | (2,653 )                       | 18,765     | 31,796                       | 64,974     |
| Net income attributable to noncontrolling interests – partially owned properties          | (97 )                          | (104 )     | (202 )                       | (208 )     |
| Net (loss) income attributable to American Campus Communities Operating Partnership, L.P. | (2,750 )                       | 18,661     | 31,594                       | 64,766     |
| Series A preferred unit distributions                                                     | (31 )                          | (37 )      | (62 )                        | (79 )      |
| Net (loss) income attributable to common unitholders                                      | \$(2,781 )                     | \$ 18,624  | \$ 31,532                    | \$ 64,687  |
| Other comprehensive income (loss)                                                         |                                |            |                              |            |
| Change in fair value of interest rate swaps and other                                     | 155                            | (23 )      | 639                          | (1,433 )   |
| Comprehensive (loss) income                                                               | \$(2,626 )                     | \$ 18,601  | \$ 32,171                    | \$ 63,254  |
| Net (loss) income per unit attributable to common unitholders                             |                                |            |                              |            |
| Basic and diluted                                                                         | \$(0.02 )                      | \$ 0.14    | \$ 0.23                      | \$ 0.50    |

|                                           |             |            |             |            |
|-------------------------------------------|-------------|------------|-------------|------------|
| Weighted-average common units outstanding |             |            |             |            |
| Basic                                     | 135,643,549 | 31,760,705 | 134,866,879 | 28,258,368 |
| Diluted                                   | 135,643,549 | 32,544,449 | 135,774,323 | 29,060,406 |
| Distributions declared per Common Unit    | \$0.44      | \$ 0.42    | \$0.86      | \$ 0.82    |

See accompanying notes to consolidated financial statements.

6

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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 Loss | Noncontrolling Interests - Partially Owned Properties | Total       |
|-----------------------------------------------------------------------------|-----------------|--------|-----------------|-------------|--------------------------------------|-------------------------------------------------------|-------------|
|                                                                             | Units           | Amount | Units           | Amount      |                                      |                                                       |             |
| 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  | —               | —      | —               | 2,092       | —                                    | —                                                     | 2,092       |
| Amortization of restricted stock awards                                     | —               | —      | —               | 8,191       | —                                    | —                                                     | 8,191       |
| Vesting of restricted stock awards and restricted stock units               | —               | —      | 208,421         | (4,209 )    | —                                    | —                                                     | (4,209 )    |
| Distributions                                                               | —               | (11 )  | —               | (115,800 )  | —                                    | —                                                     | (115,811 )  |
| Distributions to noncontrolling interests - partially owned properties      | —               | —      | —               | —           | —                                    | (156 )                                                | (156 )      |
| Issuance of units in exchange for contributions of equity offering proceeds | —               | —      | 3,925,456       | 186,825     | —                                    | —                                                     | 186,825     |
| Change in fair value of interest rate swaps and other                       | —               | —      | —               | —           | 435                                  | —                                                     | 435         |
| Amortization of interest rate swap terminations                             | —               | —      | —               | —           | 204                                  | —                                                     | 204         |
| Contributions by noncontrolling interest                                    | —               | —      | —               | —           | —                                    | 8,158                                                 | 8,158       |
| Net income                                                                  | —               | 3      | —               | 31,285      | —                                    | 202                                                   | 31,490      |
| Capital as of June 30, 2017                                                 | 12,222          | \$ 74  | 136,367,324     | \$3,557,354 | \$ (3,428 )                          | \$ 13,706                                             | \$3,567,706 |

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

|                                                                                   | Six Months Ended<br>June 30, |            |
|-----------------------------------------------------------------------------------|------------------------------|------------|
|                                                                                   | 2017                         | 2016       |
| <b>Operating activities</b>                                                       |                              |            |
| Net income                                                                        | \$31,796                     | \$64,974   |
| 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                                                     | 108,266                      | 107,419    |
| Amortization of deferred financing costs and debt premiums/discounts              | (1,806 )                     | (2,372 )   |
| Share-based compensation                                                          | 8,902                        | 5,492      |
| Income tax provision                                                              | 524                          | 690        |
| Amortization of interest rate swap terminations and other                         | 204                          | 205        |
| Changes in operating assets and liabilities:                                      |                              |            |
| Restricted cash                                                                   | (2,189 )                     | (4,238 )   |
| Student contracts receivable, net                                                 | 1,239                        | 11,283     |
| Other assets                                                                      | (13,814 )                    | 5,830      |
| Accounts payable and accrued expenses                                             | (16,020 )                    | (11,849 )  |
| Other liabilities                                                                 | (4,413 )                     | (8,730 )   |
| Net cash provided by operating activities                                         | 128,638                      | 151,295    |
| <b>Investing activities</b>                                                       |                              |            |
| Proceeds from disposition of properties                                           | 24,462                       | 72,640     |
| Cash paid for acquisition of operating and under development properties           | (157,967)                    | (57,132 )  |
| Cash paid for land acquisitions                                                   | (16,955 )                    | (856 )     |
| Capital expenditures for wholly-owned properties                                  | (36,026 )                    | (23,185 )  |
| Investments in wholly-owned properties under development                          | (240,702)                    | (187,158 ) |
| Capital expenditures for on-campus participating properties                       | (870 )                       | (1,064 )   |
| Change in escrow deposits for real estate investments                             | 225                          | 5,450      |
| Change in restricted cash related to capital reserves                             | 41                           | (928 )     |
| Purchase of corporate furniture, fixtures and equipment                           | (3,562 )                     | (3,377 )   |
| Net cash used in investing activities                                             | (431,354)                    | (195,610 ) |
| <b>Financing activities</b>                                                       |                              |            |
| Proceeds from issuance of common units in exchange for contributions, net         | 187,403                      | 708,053    |
| Pay-off of mortgage and construction loans                                        | —                            | (34,226 )  |
| Pay-off of unsecured term loan                                                    | —                            | (400,000 ) |
| Proceeds from unsecured term loan                                                 | 200,000                      | 150,000    |
| Proceeds from revolving credit facility                                           | 478,600                      | 67,700     |
| Paydowns of revolving credit facility                                             | (435,614)                    | (136,600 ) |
| Proceeds from construction loans                                                  | 1,037                        | —          |
| Scheduled principal payments on debt                                              | (6,494 )                     | (7,771 )   |
| Debt issuance and assumption costs                                                | (5,840 )                     | (744 )     |
| Contributions by noncontrolling interest                                          | 8,158                        | —          |
| Taxes paid on net-share settlements                                               | (4,283 )                     | (2,977 )   |
| Distributions paid to common and preferred unitholders                            | (115,902)                    | (108,066 ) |

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|                                                                                |            |             |
|--------------------------------------------------------------------------------|------------|-------------|
| Distributions paid on unvested restricted stock awards                         | (857 )     | (722 )      |
| Distributions paid to noncontrolling interests - partially owned properties    | (156 )     | (253 )      |
| Net cash provided by financing activities                                      | 306,052    | 234,394     |
| Net change in cash and cash equivalents                                        | 3,336      | 190,079     |
| Cash and cash equivalents at beginning of period                               | 22,140     | 16,659      |
| Cash and cash equivalents at end of period                                     | \$25,476   | \$206,738   |
| Supplemental disclosure of non-cash investing and financing activities         |            |             |
| Loans assumed in connection with property acquisitions                         | \$—        | \$(10,012 ) |
| Conversion of common and preferred operating partnership units to common stock | \$—        | \$259       |
| Non-cash contribution from noncontrolling interest                             | \$3,000    | \$—         |
| Non-cash consideration exchanged in purchase of land parcel                    | \$(3,071 ) | \$—         |
| Change in accrued construction in progress                                     | \$25,214   | \$27,472    |
| Change in fair value of derivative instruments, net                            | \$435      | \$(1,638 )  |
| Change in fair value of redeemable noncontrolling interests                    | \$2,092    | \$(14,879 ) |
| Supplemental disclosure of cash flow information                               |            |             |
| Cash paid for interest, net of amounts capitalized                             | \$32,925   | \$49,621    |

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 June 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 June 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 June 30, 2017, the Company’s property portfolio contained 160 properties with approximately 99,000 beds. The Company’s property portfolio consisted of 124 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 160 properties, 19 were under development as of June 30, 2017, and when completed will consist of a total of approximately 14,300 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 June 30, 2017, also through one of ACC’s TRSs, the Company provided third-party management and leasing services for 37 properties that represented approximately 29,700 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 June 30, 2017, the Company’s total owned and third-party managed portfolio included 197 properties with approximately 128,700 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 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. 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.

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

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.

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

### 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 \$5.7 million and \$3.6 million was capitalized during the three months ended June 30, 2017 and 2016, respectively, and interest totaling approximately \$10.1 million and \$5.7 million was capitalized during the six months ended June 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 June 30, 2017, other than a \$15.3 million impairment charge recorded during the three months ended June 30, 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 due to mature 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.

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

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.

#### 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. 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 June 30, 2017, the Company has deferred approximately \$6.1 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 six months ended June 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 |           | Six Months Ended |           |
|--------------------------------------------|--------------------|-----------|------------------|-----------|
|                                            | June 30,           |           | June 30,         |           |
|                                            | 2017               | 2016      | 2017             | 2016      |
| Common OP Units (Note 9)                   | 1,029,131          | 1,303,782 | 1,029,131        | 1,306,914 |
| Preferred OP Units (Note 9)                | 77,513             | 94,359    | 77,513           | 98,974    |
| Unvested restricted stock awards (Note 10) | 881,306            | —         | —                | —         |
| Total potentially dilutive securities      | 1,987,950          | 1,398,141 | 1,106,644        | 1,405,888 |





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

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

|                                                                           | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|---------------------------------------------------------------------------|--------------------------------|-------------|------------------------------|-------------|
|                                                                           | 2017                           | 2016        | 2017                         | 2016        |
| Numerator – basic and diluted earnings per share:                         |                                |             |                              |             |
| Net (loss) income                                                         | \$(2,653)                      | \$ 18,765   | \$ 31,796                    | \$ 64,974   |
| Net income attributable to noncontrolling interests                       | (109 )                         | (327 )      | (508 )                       | (949 )      |
| Net (loss) income attributable to common stockholders                     | (2,762 )                       | 18,438      | 31,288                       | 64,025      |
| Amount allocated to participating securities                              | (389 )                         | (329 )      | (857 )                       | (722 )      |
| Net (loss) income attributable to common stockholders                     | \$(3,151)                      | \$ 18,109   | \$ 30,431                    | \$ 63,303   |
| Denominator:                                                              |                                |             |                              |             |
| Basic weighted average common shares outstanding                          | 134,614,418                    | 180,456,923 | 133,837,744                  | 186,951,454 |
| Unvested restricted stock awards (Note 10)                                | —                              | 783,744     | 907,444                      | 802,038     |
| Diluted weighted average common shares outstanding                        | 134,614,418                    | 181,240,667 | 134,745,192                  | 187,753,492 |
| Earnings per share:                                                       |                                |             |                              |             |
| Net (loss) income attributable to common stockholders - basic and diluted | \$(0.02 )                      | \$ 0.14     | \$ 0.23                      | \$ 0.50     |

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.

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

|                                                                                  | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|----------------------------------------------------------------------------------|--------------------------------|-------------|------------------------------|-------------|
|                                                                                  | 2017                           | 2016        | 2017                         | 2016        |
| Numerator – basic and diluted earnings per unit:                                 |                                |             |                              |             |
| Net (loss) income                                                                | \$(2,653)                      | \$ 18,765   | \$ 31,796                    | \$ 64,974   |
| Net income attributable to noncontrolling interests – partially owned properties | (97 )                          | (104 )      | (202 )                       | (208 )      |
| Series A preferred unit distributions                                            | (31 )                          | (37 )       | (62 )                        | (79 )       |
| Amount allocated to participating securities                                     | (389 )                         | (329 )      | (857 )                       | (722 )      |
| Net (loss) income attributable to common unitholders                             | \$(3,170)                      | \$ 18,295   | \$ 30,675                    | \$ 63,965   |
| Denominator:                                                                     |                                |             |                              |             |
| Basic weighted average common units outstanding                                  | 135,643,549                    | 191,760,705 | 134,866,879                  | 198,258,368 |
| Unvested restricted stock awards (Note 10)                                       | —                              | 783,744     | 907,444                      | 802,038     |
| Diluted weighted average common units outstanding                                | 135,643,549                    | 192,544,449 | 135,774,323                  | 199,060,406 |
| Earnings per unit:                                                               |                                |             |                              |             |
| Net (loss) income attributable to common unitholders - basic and diluted         | \$(0.02)                       | \$ 0.14     | \$ 0.23                      | \$ 0.50     |



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

### 3. Acquisitions

#### Land Acquisitions

During the six months ended June 30, 2017, the Company purchased five land parcels with fair value of \$23.1 million for total cash consideration of approximately \$17.0 million. The difference between the fair value of the land and the cash consideration represents non-cash consideration and a non-cash contribution from a noncontrolling partner.

#### Property Acquisitions

During the six months ended June 30, 2017, the Company acquired the following wholly-owned properties for a total purchase price of 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.

| 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  |

During the six months ended June 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 six months ended June 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 six months ended June 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.

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

### 5. Investments in Wholly-Owned Properties

Wholly-owned properties consisted of the following:

|                                   | June 30,<br>2017 | December 31,<br>2016       |
|-----------------------------------|------------------|----------------------------|
| Land <sup>(1)</sup>               | \$605,399        | \$568,266                  |
| Buildings and improvements        | 5,199,146        | 5,065,137                  |
| Furniture, fixtures and equipment | 313,716          | 303,240                    |
| Construction in progress          | 645,730          | 349,498                    |
|                                   | 6,763,991        | 6,286,141                  |
| Accumulated depreciation          | (958,588 )       | (859,127 )                 |
| Wholly-owned properties, net      | \$5,805,403      | \$5,427,014 <sup>(2)</sup> |

The land balance above includes undeveloped land parcels with book values of approximately \$45.5 million and \$38.5 million as of June 30, 2017 and December 31, 2016, respectively. It also includes land totaling approximately \$71.8 million and \$61.2 million as of June 30, 2017 and December 31, 2016, respectively, related to properties under development.

<sup>(2)</sup> Excludes the net book value of one property classified as held for sale in the accompanying consolidated balance sheets at December 31, 2016.

### 6. On-Campus Participating Properties

On-campus participating properties are as follows:

| Lessor/University                                                        | Lease<br>Commencement | Required<br>Debt<br>Repayment | Historical Cost  |                      |
|--------------------------------------------------------------------------|-----------------------|-------------------------------|------------------|----------------------|
|                                                                          |                       |                               | June 30,<br>2017 | December 31,<br>2016 |
| Texas A&M University System / Prairie View A&M University <sup>(1)</sup> | 2/1/1996              | 9/1/2023                      | \$45,490         | \$45,310             |
| Texas A&M University System / Texas A&M International                    | 2/1/1996              | 9/1/2023                      | 7,228            | 7,215                |
| Texas A&M University System / Prairie View A&M University <sup>(2)</sup> | 10/1/1999             | 8/31/2025<br>8/31/2028        | 28,852           | 28,627               |
| University of Houston System / University of Houston <sup>(3)</sup>      | 9/27/2000             | 8/31/2035                     | 38,118           | 37,960               |
| West Virginia University System / West Virginia University               | 7/16/2013             | 7/16/2045                     | 44,112           | 43,817               |
|                                                                          |                       |                               | 163,800          | 162,929              |
| Accumulated amortization                                                 |                       |                               | (80,860 )        | (77,132 )            |
| On-campus participating properties, net                                  |                       |                               | \$82,940         | \$85,797             |

<sup>(1)</sup> Consists of three phases placed in service between 1996 and 1998.

<sup>(2)</sup> Consists of two phases placed in service in 2000 and 2003.

<sup>(3)</sup> Consists of two phases placed in service in 2001 and 2005.

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

## 7. Debt

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

|                                                                                     | June 30,<br>2017 | December 31,<br>2016 |
|-------------------------------------------------------------------------------------|------------------|----------------------|
| Debt secured by wholly-owned properties:                                            |                  |                      |
| Mortgage loans payable:                                                             |                  |                      |
| Unpaid principal balance                                                            | \$555,732        | \$559,642            |
| Unamortized deferred financing costs                                                | (2,587           | ) (3,040             |
| Unamortized debt premiums                                                           | 22,811           | 26,830               |
|                                                                                     | 575,956          | 583,432              |
| Construction loans payable <sup>(1)</sup>                                           | 1,037            | —                    |
| Unamortized deferred financing costs                                                | (326             | ) —                  |
|                                                                                     | 576,667          | 583,432              |
| Debt secured by on-campus participating properties:                                 |                  |                      |
| Mortgage loans payable                                                              | 70,725           | 71,662               |
| Bonds payable                                                                       | 33,870           | 33,870               |
| Unamortized deferred financing costs                                                | (706             | ) (769               |
|                                                                                     | 103,889          | 104,763              |
| Total secured mortgage, construction and bond debt                                  | 680,556          | 688,195              |
| Unsecured notes, net of unamortized OID and deferred financing costs <sup>(2)</sup> | 1,189,775        | 1,188,737            |
| Unsecured term loans, net of unamortized deferred financing costs <sup>(3)</sup>    | 347,417          | 149,065              |
| Unsecured revolving credit facility                                                 | 142,286          | 99,300               |
| Total debt, net                                                                     | \$2,360,034      | \$2,125,297          |

Construction loans payable relates to a construction loan partially financing the development and construction of

(1) The Edge - Stadium Centre, a VIE the Company is including in its consolidated financial statements. The creditor of this construction loan does not have recourse to the assets of the Company.

Includes net unamortized original issue discount ("OID") of \$1.8 million at June 30, 2017 and \$1.9 million at December 31, 2016, and net unamortized deferred financing costs of \$8.5 million at June 30, 2017 and \$9.3 million at December 31, 2016.

(3) Includes net unamortized deferred financing costs of \$2.6 million at June 30, 2017 and \$0.9 million at December 31, 2016.

## Mortgage and Construction Loans Payable

During the six months ended June 30, 2017, the Company did not pay off any fixed rate mortgage debt. During the six months ended June 30, 2016, the Company paid off approximately \$34.2 million of fixed rate mortgage debt secured by three 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 June 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. As of June 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, during the three months ended June 30, 2017, the Company recorded an impairment charge for this property of \$15.3 million.

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

### 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% <sup>(1)</sup> | 556                     | 10           |
| September 2015 | 400,000     | 99.811         | 3.350% | 3.391%                | 756                     | 5            |
|                | \$1,200,000 |                |        |                       | \$ 2,676                |              |

<sup>(1)</sup> 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 June 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 or 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 June 30, 2017, the revolving credit facility bore interest at a weighted average annual rate of 2.32% (1.12% + 1.00% spread + 0.20% facility fee), and availability under the revolving credit facility totaled \$557.7 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 June 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 2.16% (1.06% + 1.10% spread) at June 30, 2017.

In June 2017, the Company entered into an additional Unsecured Term 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 2.32% (1.22% + 1.10% spread), at June 30, 2017.

The terms of the Term Loan I Facility and the New Term Loan II Facility include certain restrictions and covenants consistent with those of the unsecured revolving credit facility discussed above. As of June 30, 2017, the Company was in compliance with all such covenants.



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

## 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 six months ended June 30, 2017. There was no activity under the Company's ATM Equity Program during the three and six months ended June 30, 2016:

|                                  | Three<br>Months<br>Ended<br>June 30,<br>2017 | Six<br>Months<br>Ended<br>June 30,<br>2017 |
|----------------------------------|----------------------------------------------|--------------------------------------------|
| Total net proceeds               | \$ 124,745                                   | \$ 187,403                                 |
| Commissions paid to sales agents | \$ 1,573                                     | \$ 2,354                                   |
| Weighted average price per share | \$47.69                                      | \$48.34                                    |
| Shares of common stock sold      | 2,648,735                                    | 3,925,456                                  |

As of June 30, 2017, the Company had approximately \$234.2 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 select 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 six months ended June 30, 2017, 43,173 shares of ACC's common stock were deposited into the Deferred Compensation Plan. As of June 30, 2017, 63,354 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

### Operating Partnership

Partially-owned properties: As of June 30, 2017, the Operating Partnership consolidates three joint ventures that own and operate University Village at Sweet Home, University Centre and Villas at Chestnut Ridge owned-off campus properties. The portion of net assets attributable to the third-party partners in these joint ventures is classified as “noncontrolling interests - partially owned properties” within capital on the accompanying consolidated balance sheets of the Operating Partnership. Accordingly, the third-party partners’ share of the income or loss of the joint ventures is reported on the consolidated statements of comprehensive income of the Operating Partnership as “net income attributable to noncontrolling interests – partially owned properties.”

In December 2016, the Company entered into a pre-sale agreement to purchase The Edge at Stadium Centre. The \$9.4 million equity contribution from the developer is reflected as noncontrolling interest - partially owned properties within capital on the accompanying consolidated balance sheets of the Operating Partnership as of June 30, 2017.

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

OP Units: For the portion of OP Units that 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 Company classifies the units as “redeemable limited partners” in the mezzanine section of the consolidated balance sheets of the Operating Partnership. The units classified as such include Series A Preferred Units (“Preferred OP Units”) as well as common OP units that are not held by ACC or ACC Holdings. The value of redeemable limited partners on the consolidated balance sheets of the Operating Partnership 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. Changes in the value from period to period are charged to limited partners’ capital on the consolidated statement of changes in capital of the Operating Partnership.

Below is a table summarizing the activity of redeemable limited partners for the six months ended June 30, 2017:

|                                                                       |          |
|-----------------------------------------------------------------------|----------|
| December 31, 2016                                                     | \$55,078 |
| Net income                                                            | 306      |
| Distributions                                                         | (948 )   |
| Contribution from noncontrolling interest                             | 3,000    |
| Adjustments to reflect redeemable limited partner units at fair value | (2,092 ) |
| June 30, 2017                                                         | \$55,344 |

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. There were no conversions of Common or Preferred OP Units during the six months ended June 30, 2017. As of both June 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.

#### Company

The noncontrolling interests of the Company include the third-party equity interests in partially-owned properties, as discussed above, which are presented as a component of equity in the Company’s consolidated balance sheets. The Company’s noncontrolling interests also include the redeemable limited partners presented in the consolidated balance sheets of the Operating Partnership and the noncontrolling interest in a subsidiary in which the holders have the ability to require the Company to repurchase their interest in the subsidiary, which are referred to as “redeemable noncontrolling interests” in the mezzanine section of the Company’s consolidated balance sheets. Noncontrolling interests on the Company’s consolidated statements of comprehensive income include the income/loss attributable to third-party equity interests in partially-owned properties, as well as the income/loss attributable to redeemable noncontrolling interests.

#### 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. 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 \$0.8 million was recorded during the six months ended June 30, 2017 related to these awards and is included in general and administrative expenses on the Company's consolidated statements of comprehensive income.

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

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

|                                  | Number<br>of RSUs |
|----------------------------------|-------------------|
| Outstanding at December 31, 2016 | —                 |
| Granted                          | 16,737            |
| Settled in common shares         | (15,235)          |
| Settled in cash                  | (1,502 )          |
| Outstanding at June 30, 2017     | —                 |

#### Restricted Stock Awards ("RSAs")

A summary of RSAs under the American Campus Communities, Inc. 2010 Incentive Award Plan (the "Plan") as of June 30, 2017 and activity during the six months then ended, is presented below:

|                                        | Number<br>of RSAs |
|----------------------------------------|-------------------|
| Nonvested balance at December 31, 2016 | 773,101           |
| Granted                                | 344,054           |
| Vested                                 | (193,186)         |
| Forfeited <sup>(1)</sup>               | (104,615)         |
| Nonvested balance at June 30, 2017     | 819,354           |

<sup>(1)</sup> 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 \$3.9 million and \$2.2 million for the three months ended June 30, 2017 and 2016, respectively, and \$8.2 million and \$4.9 million for the six months ended June 30, 2017 and 2016, respectively. The amortization of restricted stock awards for the six months ended June 30, 2017 includes \$2.4 million of contractual executive separation and retirement charges incurred with regard to the retirement of the Company's 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.

#### 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 six month periods ended June 30, 2017 and 2016.

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

The following table summarizes the Company's outstanding interest rate swap contracts as of June 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             | \$ 13,960               | \$ (262 )  |
| Cullen Oaks mortgage loan | Feb 18, 2014   | Feb 15, 2021  | 2.2750%        | LIBOR - 1 month             | 14,104                  | (264 )     |
| Park Point mortgage loan  | Nov 1, 2013    | Oct 5, 2018   | 1.5450%        | LIBOR - 1 month             | 70,000                  | (121 )     |
|                           |                |               |                | Total                       | \$ 98,064               | \$ (647 )  |

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 June 30, 2017 and December 31, 2016:

| Description                                         | Liability Derivatives  |                  |                   |
|-----------------------------------------------------|------------------------|------------------|-------------------|
|                                                     | Balance Sheet Location | Fair Value as of |                   |
|                                                     |                        | June 30, 2017    | December 31, 2016 |
| Interest rate swaps contracts                       | Other liabilities      | \$647            | \$ 1,099          |
| Total derivatives designated as hedging instruments |                        | \$647            | \$ 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 June 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 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.





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

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

|                                                               | Fair Value Measurements as of |             |              |                   |             |              |
|---------------------------------------------------------------|-------------------------------|-------------|--------------|-------------------|-------------|--------------|
|                                                               | June 30, 2017                 |             |              | December 31, 2016 |             |              |
|                                                               | Quoted                        | Significant | Significant  | Quoted            | Significant | Significant  |
|                                                               | Prices                        | Other       | Unobservable | Prices            | Other       | Unobservable |
|                                                               | in                            | for         | Inputs       | in                | for         | Inputs       |
|                                                               | Active                        | Identical   | Total        | Active            | Identical   | Total        |
|                                                               | Markets                       | Assets      | (Level 2)    | Markets           | Assets      | (Level 2)    |
|                                                               | for                           | and         | 3)           | for               | and         | 3)           |
|                                                               | Observable                    | Liabilities | (Level 1)    | Observable        | Liabilities | (Level 1)    |
| Liabilities:                                                  |                               |             |              |                   |             |              |
| Derivative financial instruments                              | \$-647                        | \$          | -\$647       | \$-1,099          | \$          | -\$1,099     |
| Mezzanine:                                                    |                               |             |              |                   |             |              |
| Redeemable noncontrolling interests                           |                               |             |              |                   |             |              |
| (Company)/Redeemable limited partners (Operating Partnership) | \$-55,344                     | \$          | -\$55,344    | \$-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 June 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 June 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 limited partners in the Operating Partnership (redeemable noncontrolling interests in the Company) 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.

#### 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.

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

**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 June 30, 2017 and December 31, 2016:

|                        | June 30, 2017           |                            | December 31, 2016       |                            |
|------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
|                        | Estimated<br>Fair Value | Carrying<br>Amount         | Estimated<br>Fair Value | Carrying<br>Amount         |
| <b>Assets:</b>         |                         |                            |                         |                            |
| Loans receivable       | \$54,396                | \$60,202                   | \$54,396                | \$58,539                   |
| <b>Liabilities:</b>    |                         |                            |                         |                            |
| Unsecured notes        | \$1,234,500             | \$1,189,775 <sup>(1)</sup> | \$1,211,344             | \$1,188,737 <sup>(1)</sup> |
| Mortgage loans payable | 638,317                 | 646,397 <sup>(2)</sup>     | 644,617                 | 654,794 <sup>(2)</sup>     |
| Bonds payable          | 36,591                  | 33,448                     | 37,066                  | 33,401                     |

<sup>(1)</sup> Includes net unamortized OID and net unamortized deferred financing costs (see Note 7).

<sup>(2)</sup> Includes net unamortized debt premiums and discounts and net unamortized deferred financing costs (see Note 7).

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

### 13. Commitments and Contingencies

#### Commitments

**Construction Contracts:** As of June 30, 2017, the Company estimates additional costs to complete 18 wholly-owned development projects under construction to be approximately \$516.6 million. The Company expects to fund this amount through a combination of net proceeds from the ATM Equity Program discussed in Note 8, cash flows generated from operations, borrowings under the Company's existing unsecured credit facility, accessing the unsecured bond market, and proceeds from anticipated property dispositions.

**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 is responsible for leasing, management, and initial operations of the project while the third-party developer retains development risk during the construction period.

**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. For two of its third-party development projects that are currently under construction with the same University system, the Company's obligation to pay alternate housing costs and excess project costs are unlimited in amount. However, if the Company's payment obligation arises from force majeure or is caused by the owner, the owner agrees to reimburse the Company from future cash flow of the project, with such reimbursement being subordinate to any financing on the property but paid prior to the University receiving any cash flow from the property. If the Company's obligation is a result of the general contractor and/or design professionals' negligence, the owner agrees to assign its right to recover from such party to the Company. Additionally, for these two projects, the Company's exposure to such costs resulting from owner-caused delays, as defined, is limited to \$1.5 million. As of June 30, 2017, management did not anticipate any material deviations from schedule or budget related to third-party development projects currently in progress.

For one of the Company's wholly-owned development projects that is currently under construction, if the project is terminated by the Company prior to substantial completion, the Company has an obligation to pay the university \$20.0 million less the hard costs incurred to date, which include all costs associated with labor, materials and work required in connection with the initial development and construction of the project. As of June 30, 2017, the Company's exposure under this guarantee is \$7.5 million. However, as of June 30, 2017, the Company has no intention of

terminating the project.

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.

25

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

**Move-in Guarantee:** For certain of its owned development projects currently under construction and scheduled for completion in August 2017, the Company has provided certain residents with a move-in date guarantee. Under this guarantee, if the resident's bedroom is not available for move-in on the agreed upon date, the Company will provide a one-time payment of \$1,000 upon the resident's move-in. This payment may be withheld in the case of the resident's default on any obligation. As of June 30, 2017, the Company's current exposure under the guarantee based on the number of leases signed as of that date was approximately \$1.2 million. The maximum exposure under this guarantee assuming 100% occupancy at all properties offering the guarantee is approximately \$2.7 million. As of June 30, 2017, management did not anticipate any material deviations from schedule on its 2017 owned development deliveries.

#### 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 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.

#### 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.

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

|                                                                                                                   | Three Months Ended |             | Six Months Ended |             |
|-------------------------------------------------------------------------------------------------------------------|--------------------|-------------|------------------|-------------|
|                                                                                                                   | June 30,           |             | June 30,         |             |
|                                                                                                                   | 2017               | 2016        | 2017             | 2016        |
| <b>Wholly-Owned Properties</b>                                                                                    |                    |             |                  |             |
| Rental revenues and other income                                                                                  | \$169,874          | \$175,395   | \$349,584        | \$361,899   |
| Interest income                                                                                                   | 385                | 268         | 776              | 533         |
| Total revenues from external customers                                                                            | 170,259            | 175,663     | 350,360          | 362,432     |
| Operating expenses before depreciation, amortization, ground/facility leases and allocation of corporate overhead | (72,493 )          | (76,705 )   | (144,770 )       | (154,703 )  |
| Ground/facility leases                                                                                            | (1,687 )           | (1,452 )    | (3,287 )         | (2,906 )    |
| Interest expense, net <sup>(1)</sup>                                                                              | 664                | (5,231 )    | 346              | (12,137 )   |
| Operating income before depreciation, amortization, and allocation of corporate overhead                          | \$96,743           | \$92,275    | \$202,649        | \$192,686   |
| Depreciation and amortization                                                                                     | \$53,345           | \$51,053    | \$103,002        | \$102,276   |
| Capital expenditures                                                                                              | \$148,074          | \$124,431   | \$276,728        | \$210,343   |
| Total segment assets at June 30,                                                                                  | \$6,017,795        | \$5,942,924 | \$6,017,795      | \$5,942,924 |
| <b>On-Campus Participating Properties</b>                                                                         |                    |             |                  |             |
| Total revenues and other income                                                                                   | \$6,171            | \$6,214     | \$16,329         | \$16,260    |
| Interest income                                                                                                   | 15                 | 2           | 23               | 2           |
| Total revenues from external customers                                                                            | 6,186              | 6,216       | 16,352           | 16,262      |
| Operating expenses before depreciation, amortization, ground/facility leases and allocation of corporate overhead | (3,562 )           | (3,013 )    | (6,498 )         | (5,771 )    |
| Ground/facility leases                                                                                            | (778 )             | (1,015 )    | (1,535 )         | (1,865 )    |
| Interest expense                                                                                                  | (1,342 )           | (1,419 )    | (2,675 )         | (2,837 )    |
| Operating income before depreciation, amortization and allocation of corporate overhead                           | \$504              | \$769       | \$5,644          | \$5,789     |
| Depreciation and amortization                                                                                     | \$1,869            | \$1,831     | \$3,729          | \$3,654     |
| Capital expenditures                                                                                              | \$661              | \$409       | \$870            | \$1,064     |
| Total segment assets at June 30,                                                                                  | \$100,970          | \$104,826   | \$100,970        | \$104,826   |
| <b>Development Services</b>                                                                                       |                    |             |                  |             |
| Development and construction management fees                                                                      | \$675              | \$2,121     | \$1,131          | \$3,156     |
| Operating expenses                                                                                                | (3,607 )           | (3,385 )    | (7,211 )         | (6,980 )    |
| Operating loss before depreciation, amortization and allocation of corporate overhead                             | \$(2,932 )         | \$(1,264 )  | \$(6,080 )       | \$(3,824 )  |
| Total segment assets at June 30,                                                                                  | \$3,187            | \$2,088     | \$3,187          | \$2,088     |
| <b>Property Management Services</b>                                                                               |                    |             |                  |             |
| Property management fees from external customers                                                                  | \$2,288            | \$2,253     | \$4,902          | \$4,663     |
| Intersegment revenues                                                                                             | 4,769              | 5,629       | 9,707            | 11,580      |
| Total revenues                                                                                                    | 7,057              | 7,882       | 14,609           | 16,243      |
| Operating expenses                                                                                                | (3,261 )           | (2,816 )    | (6,685 )         | (5,800 )    |



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|                                                                                         |         |         |         |          |
|-----------------------------------------------------------------------------------------|---------|---------|---------|----------|
| Operating income before depreciation, amortization and allocation of corporate overhead | \$3,796 | \$5,066 | \$7,924 | \$10,443 |
| Total segment assets at June 30,                                                        | \$9,982 | \$8,787 | \$9,982 | \$8,787  |

27

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

|                                                                                                 | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|-------------------------------------------------------------------------------------------------|--------------------------------|-------------|------------------------------|-------------|
|                                                                                                 | 2017                           | 2016        | 2017                         | 2016        |
| <b>Reconciliations</b>                                                                          |                                |             |                              |             |
| Total segment revenues and other income                                                         | \$184,177                      | \$191,882   | \$382,452                    | \$398,093   |
| Unallocated interest income earned on investments and corporate cash                            | 832                            | 1,205       | 1,665                        | 2,219       |
| Elimination of intersegment revenues                                                            | (4,769)                        | (5,629)     | (9,707)                      | (11,580)    |
| Total consolidated revenues, including interest income                                          | \$180,240                      | \$187,458   | \$374,410                    | \$388,732   |
| Segment operating income before depreciation, amortization and allocation of corporate overhead | \$98,111                       | \$96,846    | \$210,137                    | \$205,094   |
| Depreciation and amortization                                                                   | (56,966)                       | (55,055)    | (110,317)                    | (111,313)   |
| Net unallocated expenses relating to corporate interest and overhead                            | (27,582)                       | (22,681)    | (51,551)                     | (45,526)    |
| (Loss) gain from disposition of real estate                                                     | (632)                          | —           | (632)                        | 17,409      |
| Provision for real estate impairment                                                            | (15,317)                       | —           | (15,317)                     | —           |
| Income tax provision                                                                            | (267)                          | (345)       | (524)                        | (690)       |
| Net income                                                                                      | \$(2,653)                      | \$18,765    | \$31,796                     | \$64,974    |
| Total segment assets                                                                            | \$6,131,934                    | \$6,058,625 | \$6,131,934                  | \$6,058,625 |
| Unallocated corporate assets                                                                    | 93,039                         | 256,432     | 93,039                       | 256,432     |
| Total assets at June 30,                                                                        | \$6,224,973                    | \$6,315,057 | \$6,224,973                  | \$6,315,057 |

(1) Net of capitalized interest and amortization of debt premiums.

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

15. Subsequent Events

Distributions: On August 2, 2017, the Company declared a distribution per share of \$0.44, which will be paid on August 25, 2017 to all common stockholders of record as of August 14, 2017. At the same time, the Operating Partnership will pay an equivalent amount per unit to holders of Common OP Units, as well as the quarterly cumulative preferential distribution to holders of Preferred OP Units (see Note 9).

ATM Equity Program: Subsequent to quarter end, the Company sold 23,900 shares of common stock under its ATM Equity Program at a weighted average price of \$48.09 per share for net proceeds of approximately \$1.1 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-looking Statements

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

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following: general risks affecting the real estate industry; risks associated with changes in University admission or housing policies; risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments; failure to manage effectively our growth and expansion into new markets or to integrate acquisitions successfully; risks and uncertainties affecting property development and construction; risks associated with downturns in the national and local economies, volatility in capital and credit markets, increases in interest rates, and volatility in the securities markets; costs of compliance with the Americans with Disabilities Act and other similar laws; potential liability for uninsured losses and environmental contamination; risks associated with our Company's potential failure to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code"), as amended, and possible adverse changes in tax and environmental laws; and the other factors discussed in the "Risk Factors" contained in Item 1A of our Form 10-K for the year ended December 31, 2016.

### Our Company and Our Business

#### Overview

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

#### Property Portfolio

As of June 30, 2017, our total owned property portfolio contained 160 properties, consisting of owned off-campus student housing properties that are in close proximity to colleges and universities, American Campus Equity (“ACE®”) properties operated under ground/facility leases with university systems, and on-campus participating properties operated under ground/facility leases with the related university systems. Of the 160 properties, 19 were under development as of June 30, 2017. Our communities contain modern housing units and are supported by a resident assistant system and other student-oriented programming, with many offering resort-style amenities.

As of June 30, 2017, through ACC’s taxable REIT subsidiary (“TRS”) entities, we provided third-party management and leasing services for 37 properties, bringing our total owned and third-party managed portfolio to 197 properties. Third-party management and leasing services are typically provided pursuant to management contracts that have initial terms that range from one to five years.

Below is a summary of our property portfolio as of June 30, 2017:

| Property portfolio:                        | Properties | Beds    |
|--------------------------------------------|------------|---------|
| Wholly-owned operating properties:         |            |         |
| Off-campus properties                      | 114        | 63,452  |
| On-campus ACE <sup>(1)</sup>               | 22         | 16,161  |
| Subtotal – operating properties            | 136        | 79,613  |
| Wholly-owned properties under development: |            |         |
| Off-campus properties                      | 10         | 6,203   |
| On-campus ACE <sup>(2)</sup>               | 9          | 8,057   |
| Subtotal – properties under development    | 19         | 14,260  |
| Total wholly-owned properties              | 155        | 93,873  |
| On-campus participating properties         | 5          | 5,086   |
| Total owned property portfolio             | 160        | 98,959  |
| Managed properties                         | 37         | 29,714  |
| Total property portfolio                   | 197        | 128,673 |

(1) Includes two properties at Prairie View A&M University that we ultimately expect to be refinanced under the existing on-campus participating structure.

(2) Includes one property at Prairie View A&M University that we ultimately expect to be refinanced under the existing on-campus participating structure.

#### Owned development activity

At June 30, 2017, we were in the process of constructing ten owned off-campus properties and nine on-campus ACE properties. These properties are summarized in the table below:

| Project                    | Project Type | Location         | Primary University Served   | Beds  | Estimated Project Cost | Total Costs Incurred | Scheduled Completion |
|----------------------------|--------------|------------------|-----------------------------|-------|------------------------|----------------------|----------------------|
| Tooker House               | ACE          | Tempe, AZ        | Arizona State University    | 1,594 | \$ 107,800             | \$ 92,914            | August 2017          |
| Sky View                   | ACE          | Flagstaff, AZ    | Northern Arizona University | 626   | 56,600                 | 52,519               | August 2017          |
| University Square          | ACE          | Prairie View, TX | Prairie View A&M University | 466   | 26,800                 | 24,211               | August 2017          |
| U Centre on Turner         | Off-campus   | Columbia, MO     | University of Missouri      | 718   | 69,100                 | 64,594               | August 2017          |
| U Pointe on Speight        | Off-campus   | Waco, TX         | Baylor University           | 700   | 49,800                 | 45,673               | August 2017          |
| 21Hundred @ Overton Park   | Off-campus   | Lubbock, TX      | Texas Tech University       | 1,204 | 81,600                 | 76,002               | August 2017          |
| Suites at 3rd              | Off-campus   | Champaign, IL    | University of Illinois      | 251   | 25,000                 | 21,780               | August 2017          |
| U Club Binghamton Phase II | Off-campus   | Binghamton, NY   | SUNY Binghamton University  | 562   | 55,800                 | 52,591               | August 2017          |
|                            | Off-campus   | Norman, OK       |                             | 915   | 89,100                 | 80,938               | August 2017          |

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|                                             |            |                     |                                       |        |             |           |             |
|---------------------------------------------|------------|---------------------|---------------------------------------|--------|-------------|-----------|-------------|
| Callaway House<br>Apartments                |            |                     | University of<br>Oklahoma             |        |             |           |             |
| U Centre on College                         | Off-campus | Clemson, SC         | Clemson University                    | 418    | 41,500      | 40,163    | August 2017 |
| SUBTOTAL – 2017 DELIVERIES                  |            |                     |                                       | 7,454  | \$603,100   | \$551,385 |             |
| Virginia<br>Commonwealth<br>Univ.           | ACE        | Richmond,<br>VA     | Virginia<br>Commonwealth<br>Univ.     | 1,524  | \$95,700    | \$40,082  | August 2018 |
| Schwitzer Hall                              | ACE        | Indianapolis,<br>IN | Butler University                     | 648    | 38,900      | 8,882     | August 2018 |
| Greek Leadership<br>Village                 | ACE        | Tempe, AZ           | Arizona State<br>University           | 957    | 69,600      | 14,181    | August 2018 |
| Bancroft Residence<br>Hall                  | ACE        | Berkeley, CA        | University of<br>California, Berkeley | 781    | 98,700      | 28,099    | August 2018 |
| NAU Honors<br>College                       | ACE        | Flagstaff, AZ       | Northern Arizona<br>University        | 636    | 43,400      | 7,497     | August 2018 |
| U Club Townhomes                            | Off-campus | Oxford, MS          | University of<br>Mississippi          | 528    | 44,300      | 10,006    | August 2018 |
| The Edge - Stadium<br>Centre <sup>(1)</sup> | Off-campus | Tallahassee,<br>FL  | Florida State<br>University           | 412    | 42,600      | 12,042    | August 2018 |
| SUBTOTAL – 2018 DELIVERIES                  |            |                     |                                       | 5,486  | \$433,200   | \$120,789 |             |
| Columbus Avenue<br>Student Apts.            | ACE        | Boston, MA          | Northeastern<br>University            | 825    | \$153,400   | \$21,558  | August 2019 |
| 191 College                                 | Off-campus | Auburn, AL          | Auburn University                     | 495    | 59,300      | 8,102     | July 2019   |
| SUBTOTAL – 2019 DELIVERIES                  |            |                     |                                       | 1,320  | \$212,700   | \$29,660  |             |
| TOTAL – ALL PROJECTS                        |            |                     |                                       | 14,260 | \$1,249,000 | \$701,834 |             |

<sup>(1)</sup> In December 2016, we entered into a pre-sale agreement to purchase The Edge - Stadium Centre, a property which is scheduled to be completed in August 2018. The estimated project cost includes the purchase price, elected upgrades and transaction costs.

#### Acquisitions

During the six months ended June 30, 2017, the Company acquired two wholly-owned properties for approximately \$158.5 million. Refer to Note 3 in the accompanying Notes to Consolidated Financial Statements contained in Item 1 for a more detailed discussion of our recent acquisition activity.

#### Dispositions

During the six months ended June 30, 2017, the Company sold one wholly-owned property for approximately \$25.0 million. Refer to Note 4 in the accompanying Notes to Consolidated Financial Statements contained in Item 1 for a more detailed discussion of our recent disposition activity.

#### Third-Party Development Services

Through ACC's TRS entities, we provide development and construction management services for student housing properties owned by colleges and universities, charitable foundations and others. As of June 30, 2017, we were under contract on two third-party development projects that are currently under construction and whose fees total \$3.4 million. As of June 30, 2017, fees of approximately \$0.4 million remained to be earned by the Company with respect to these projects, which have scheduled completion dates in August 2017.



## Results of Operations

## Comparison of the Three Months Ended June 30, 2017 and June 30, 2016

The following table presents our results of operations for the three months ended June 30, 2017 and 2016, including the amount and percentage change in these results between the two periods.

|                                                                                     | Three Months Ended<br>June 30, |           | Change<br>(\$) | Change<br>(%) |
|-------------------------------------------------------------------------------------|--------------------------------|-----------|----------------|---------------|
|                                                                                     | 2017                           | 2016      |                |               |
| <b>Revenues</b>                                                                     |                                |           |                |               |
| Wholly-owned properties                                                             | \$169,156                      | \$174,682 | \$(5,526)      | (3.2)%        |
| On-campus participating properties                                                  | 6,171                          | 6,214     | (43)           | (0.7)%        |
| Third-party development services                                                    | 675                            | 2,121     | (1,446)        | (68.2)%       |
| Third-party management services                                                     | 2,288                          | 2,253     | 35             | 1.6%          |
| Resident services                                                                   | 718                            | 713       | 5              | 0.7%          |
| Total revenues                                                                      | 179,008                        | 185,983   | (6,975)        | (3.8)%        |
| <b>Operating expenses</b>                                                           |                                |           |                |               |
| Wholly-owned properties                                                             | 75,172                         | 77,722    | (2,550)        | (3.3)%        |
| On-campus participating properties                                                  | 3,892                          | 3,299     | 593            | 18.0%         |
| Third-party development and management services                                     | 3,827                          | 3,560     | 267            | 7.5%          |
| General and administrative                                                          | 9,782                          | 6,126     | 3,656          | 59.7%         |
| Depreciation and amortization                                                       | 55,943                         | 53,703    | 2,240          | 4.2%          |
| Ground/facility leases                                                              | 2,465                          | 2,467     | (2)            | (0.1)%        |
| Provision for real estate impairment                                                | 15,317                         | —         | 15,317         | 100.0%        |
| Total operating expenses                                                            | 166,398                        | 146,877   | 19,521         | 13.3%         |
| Operating income                                                                    | 12,610                         | 39,106    | (26,496)       | (67.8)%       |
| <b>Nonoperating income and (expenses)</b>                                           |                                |           |                |               |
| Interest income                                                                     | 1,232                          | 1,475     | (243)          | (16.5)%       |
| Interest expense                                                                    | (14,573)                       | (20,119)  | 5,546          | (27.6)%       |
| Amortization of deferred financing costs                                            | (1,023)                        | (1,352)   | 329            | (24.3)%       |
| Loss from disposition of real estate                                                | (632)                          | —         | (632)          | 100.0%        |
| Total nonoperating expense                                                          | (14,996)                       | (19,996)  | 5,000          | (25.0)%       |
| (Loss) income before income taxes                                                   | (2,386)                        | 19,110    | (21,496)       | (112.5)%      |
| Income tax provision                                                                | (267)                          | (345)     | 78             | (22.6)%       |
| Net (loss) income                                                                   | (2,653)                        | 18,765    | (21,418)       | (114.1)%      |
| Net income attributable to noncontrolling interests                                 | (109)                          | (327)     | 218            | (66.7)%       |
| Net (loss) income attributable to ACC, Inc. and Subsidiaries<br>common stockholders | \$(2,762)                      | \$18,438  | \$(21,200)     | (115.0)%      |

## Same Store and New Property Operations

We define our same store property portfolio as wholly-owned properties that were owned and operating for both of the full years ended December 31, 2017 and December 31, 2016, which are not conducting or planning to conduct

substantial development, redevelopment, or repositioning activities, and are not classified as held for sale as of June 30, 2017. Prior to the third quarter of 2016, we included properties classified as held for sale in our same store property portfolio. We revised the definition of our same store property portfolio during the third quarter of 2016 to exclude such properties in order to better reflect the operating results of our ongoing portfolio.

Same store revenues are defined as revenues generated from our same store portfolio and consist of rental revenue earned from student leases as well as other income items such as utility income, damages, parking income, summer conference rent, application

and administration fees, income from retail tenants, and income earned by one of our TRS entities from ancillary activities such as the provision of food services.

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

A reconciliation of our same store, new property and sold/held for sale property operations to our consolidated statements of comprehensive income is set forth below:

|                          | Same Store Properties       |           | New Properties              |      | Sold/Held for Sale Properties<br>(1) |          | Total - All Properties      |           |
|--------------------------|-----------------------------|-----------|-----------------------------|------|--------------------------------------|----------|-----------------------------|-----------|
|                          | Three Months Ended June 30, |           | Three Months Ended June 30, |      | Three Months Ended June 30,          |          | Three Months Ended June 30, |           |
|                          | 2017                        | 2016      | 2017                        | 2016 | 2017 (2)                             | 2016 (3) | 2017                        | 2016      |
| Number of properties (4) | 124                         | 124       | 11                          | —    | 2                                    | 22       | 137                         | (5) 146   |
| Number of beds (4)       | 73,871                      | 73,871    | 4,882                       | —    | 1,517                                | 13,600   | 80,270                      | 87,471    |
| Revenues (6)             | \$158,548                   | \$154,379 | \$10,172                    | \$17 | \$1,154                              | \$20,999 | \$169,874                   | \$175,395 |
| Operating expenses       | 69,973                      | 67,747    | 4,387                       | 85   | 812                                  | 9,890    | 75,172                      | 77,722    |

(1) Does not include the allocation of payroll and other administrative costs related to corporate management and oversight.

(2) Includes one property that was sold during the three months ended June 30, 2017 and one property that is in the process of being transferred to the lender in settlement of the property's \$27.4 million mortgage loan due to mature in August 2017.

(3) Includes properties sold in 2016 and 2017, and one property that is in the process of being transferred to the lender as discussed above.

(4) Does not include properties under construction or undergoing redevelopment.

(5) Difference from total operating property portfolio represents one property that was sold during the three months ended June 30, 2017.

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

**Same Store Properties:** The increase in revenue from our same store properties was primarily due to an increase in average rental rates for the 2016/2017 academic year, partially offset by a slight decrease in our weighted average occupancy from 92.1% during the three months ended June 30, 2016 to 92.0% during the three months ended June 30, 2017. Future revenues will be dependent on our ability to maintain our current leases in effect for the 2016/2017 academic year and our ability to obtain appropriate rental rates and desired occupancy for the 2017/2018 academic year at our various properties.

The increase in operating expenses from our same store properties was primarily due to: (i) an increase in utilities expense as a result of overall rate increases in water and sewage in various markets, which was partially offset by increased utility reimbursements from tenants which are included in same store properties revenue; (ii) an increase in property taxes due to increased property tax assessments in various markets and increases related to 2015 development deliveries caused primarily by the stabilization of property tax assessments in the second year of operations; (iii) additional marketing expenses incurred due to our efforts to achieve our leasing targets for the 2017/2018 academic year, and (iv) other general inflationary factors. We anticipate that operating expenses for our same store property portfolio for 2017 will increase as compared to 2016 as a result of the reasons discussed above.



New Property Operations: Our new properties for the three and six months ended June 30, 2017 are summarized in the table below:

| Property                    | Location         | Primary University Served            | Beds         | Acquisition/ Opening Date |
|-----------------------------|------------------|--------------------------------------|--------------|---------------------------|
| <b>Acquisitions:</b>        |                  |                                      |              |                           |
| University Crossings        | Charlotte, NC    | University of North Carolina         | 546          | August 2016               |
| U Point                     | Syracuse, NY     | Syracuse University                  | 163          | October 2016              |
| The Arlie                   | Arlington, TX    | University of Texas at Arlington     | 598          | April 2017                |
| TWELVE at U District        | Seattle, WA      | University of Washington             | 384          | June 2017                 |
|                             |                  | <b>SUBTOTAL - Acquisitions</b>       | <b>1,691</b> |                           |
| <b>Owned Developments:</b>  |                  |                                      |              |                           |
| Currie Hall                 | Los Angeles, CA  | University of Southern California    | 456          | August 2016               |
| Fairview House              | Indianapolis, IN | Butler University                    | 633          | August 2016               |
| University Pointe           | Louisville, KY   | University of Louisville             | 531          | August 2016               |
| U Club on 28th              | Boulder, CO      | University of Colorado               | 398          | August 2016               |
| U Club Sunnyside            | Morgantown, WV   | West Virginia University             | 534          | August 2016               |
| The Court at Stadium Centre | Tallahassee, FL  | Florida State University             | 260          | August 2016               |
| Merwick Stanworth Phase II  | Princeton, NJ    | Princeton University                 | 379          | September 2016            |
|                             |                  | <b>SUBTOTAL - Owned Developments</b> | <b>3,191</b> |                           |
|                             |                  | <b>Total - New Properties</b>        | <b>4,882</b> |                           |

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

Same Store OCPP Properties: We had five participating properties containing 5,086 beds which were operating during the three months ended June 30, 2017 and 2016. Revenues from these properties remained stable at \$6.2 million for the comparable three month periods as a result of an increase in average rental rates for the 2016/2017 academic year, offset by a decrease in average occupancy from 54.1% for the three months ended June 30, 2016 to 52.2% for the three months ended June 30, 2017. Occupancy at our on-campus participating properties is low during the summer months due to the expiration of the 9-month leases concurrent with the end of the spring semester. Operating expenses at these properties increased by \$0.6 million, from \$3.3 million for the three months ended June 30, 2016 as compared to \$3.9 million for the three months ended June 30, 2017, primarily due to (i) an increase in payroll costs related to recently filled staff positions; (ii) increased maintenance costs related to the annual turn process; (iii) an increase in utilities expense; and (iv) increases in general and administrative costs. Future revenues will be dependent on our ability to maintain our current leases in effect for the 2016/2017 academic year and our ability to obtain appropriate rental rates and desired occupancy for the 2017/2018 academic year.

#### Third-Party Development Services Revenue

Third-party development services revenue decreased by approximately \$1.4 million, from \$2.1 million during the three months ended June 30, 2016 to \$0.7 million for the three months ended June 30, 2017. This decrease was primarily due to the closing of bond financing and commencement of construction in June 2016 of two development projects with the Texas A&M University System at their Corpus Christi and San Antonio campuses, resulting in \$1.8 million of revenue recognized during the three months ended June 30, 2016. During the three months ended June 30, 2017 we had two projects in progress with an average contractual fee of approximately \$1.7 million, as compared to the three months ended June 30, 2016 in which we had four projects in progress with an average contractual fee of approximately \$1.9 million.

Development services revenues are dependent on our ability to successfully be awarded such projects, the amount of the contractual fee related to the project and the timing and completion of the development and construction of the project. In addition, to the extent projects are completed under budget, we may be entitled to a portion of such savings, which are recognized as revenue when performance has been agreed upon by all parties, or when performance has been verified by an independent third-party. It is possible that projects for which we have deferred pre-development costs will not close and that we will not be reimbursed for such costs. The pre-development costs associated therewith will ordinarily be charged against income for the then-current period. We anticipate third-party development services revenue to increase in 2017 as compared to 2016 as a result of the closing and commencement of additional anticipated third-party development projects. However, the commencement of such projects is highly dependent on final determination of feasibility, negotiation, procurement rules and other applicable law, fluctuations in the construction and financing markets, and the availability of project financing.

## General and Administrative

General and administrative expenses increased by approximately \$3.7 million, from \$6.1 million during the three months ended June 30, 2016 to \$9.8 million for the three months ended June 30, 2017. This increase was primarily due to a \$3.4 million contractual executive separation and retirement charge as a result of the retirement of the Company's Chief Financial Officer, additional expenses incurred in connection with enhancements to our operating systems platform, additional payroll, healthcare and benefits expense, and other general inflationary factors. We anticipate general and administrative expenses will increase in 2017 as compared to 2016 for the reasons discussed above.

## Depreciation and Amortization

Depreciation and amortization increased by approximately \$2.2 million, from \$53.7 million during the three months ended June 30, 2016 to \$55.9 million for the three months ended June 30, 2017. This increase was primarily due to the following: (i) a \$3.0 million increase related to the completion of construction and opening of seven owned development properties in August and September of 2016; (ii) a \$2.6 million increase due to property acquisition activity during 2016 and 2017; and (iii) a \$2.2 million increase in depreciation expense at our same store properties. These increases were partially offset by a \$5.5 million decrease in depreciation and amortization expense related to properties sold in 2016 and 2017. We anticipate depreciation and amortization expense to increase in 2017 as compared to 2016 due to the completion of owned development projects in Fall 2016 and Fall 2017, as well as acquisitions in 2016 and 2017, offset by property dispositions completed during 2016 and 2017.

## Provision for Real Estate Impairment

During the three months ended June 30, 2017, we recorded an impairment charge of approximately \$15.3 million for one wholly-owned property that is in the process of being transferred to the lender in settlement of the property's \$27.4 million mortgage loan due to mature in August 2017. Refer to Note 7 in the accompanying Notes to Consolidated Financial Statements in Item 1 for a detailed discussion of this transaction.

## Interest Expense

Interest expense decreased by approximately \$5.5 million, from \$20.1 million during the three months ended June 30, 2016 to \$14.6 million for the three months ended June 30, 2017. Interest expense decreased as a result of the following: (i) a decrease of approximately \$2.6 million related to the disposition of properties with outstanding mortgage debt during 2016; (ii) a \$2.1 million increase in capitalized interest due to the timing and volume of construction activities on our owned development projects during the comparable three month periods; (iii) a \$1.4 million decrease related to the pay-off of mortgage loans during 2016; and (iv) a decrease of approximately \$1.0 million due to the pay-off of our \$250 million term loan facility ("Term Loan II Facility") in February 2016 and the pay-off of a portion of our \$350 million term loan facility ("Term Loan I Facility") in November 2016. These decreases were partially offset by a \$1.4 million increase related to increased borrowings on our revolving credit facility.

We anticipate interest expense will decrease in 2017 as compared to 2016 due to the pay-off of mortgage debt in 2016, the disposition of properties with outstanding mortgage debt during 2016 and the 2016 pay-off of \$200 million of the Term Loan I Facility. These decreases will be offset by an increase in borrowings under the Company's revolving credit facility to fund its development pipeline, an increase related to the closing of the \$200 million Term Loan (the "New Term Loan II Facility") in June 2017 and additional interest incurred from any offerings of unsecured notes anticipated during 2017.

## Amortization of Deferred Financing Costs

Amortization of deferred financing costs decreased by approximately \$0.4 million, from \$1.4 million during the three months ended June 30, 2016 to \$1.0 million for the three months ended June 30, 2017. This decrease was primarily due to \$0.2 million of amortization expense recorded during the three months ended June 30, 2016 related to the portion of our Term Loan I Facility paid off in November 2016, and \$0.1 million related to properties with mortgage debt sold in 2016. We anticipate amortization of deferred finance costs will decrease in 2017 due to the pay-off of mortgage debt in 2016 and property dispositions completed during 2016, offset by an increase related to the New Term Loan II Facility and additional expense related to any offerings of unsecured notes anticipated during 2017.



## Loss from Disposition of Real Estate

During the three months ended June 30, 2017, we sold one wholly-owned property containing 657 beds, resulting in a net loss from disposition of real estate of approximately \$0.6 million. There were no dispositions during the three months ended June 30, 2016. Gain or loss from the disposition of real estate for the full year 2017 will be dependent on the volume of anticipated disposition activity.

## Comparison of the Six Months Ended June 30, 2017 and June 30, 2016

The following table presents our results of operations for the six months ended June 30, 2017 and 2016, including the amount and percentage change in these results between the two periods.

|                                                     | Six Months Ended |           | Change<br>(\$) | Change<br>(%) |   |
|-----------------------------------------------------|------------------|-----------|----------------|---------------|---|
|                                                     | 2017             | 2016      |                |               |   |
| <b>Revenues</b>                                     |                  |           |                |               |   |
| Wholly-owned properties                             | \$347,987        | \$360,384 | \$(12,397)     | (3.4)         | % |
| On-campus participating properties                  | 16,329           | 16,260    | 69             | 0.4           | % |
| Third-party development services                    | 1,131            | 3,156     | (2,025)        | (64.2)        | % |
| Third-party management services                     | 4,902            | 4,663     | 239            | 5.1           | % |
| Resident services                                   | 1,597            | 1,515     | 82             | 5.4           | % |
| Total revenues                                      | 371,946          | 385,978   | (14,032)       | (3.6)         | % |
| <b>Operating expenses</b>                           |                  |           |                |               |   |
| Wholly-owned properties                             | 150,129          | 156,573   | (6,444)        | (4.1)         | % |
| On-campus participating properties                  | 7,157            | 6,341     | 816            | 12.9          | % |
| Third-party development and management services     | 7,910            | 7,298     | 612            | 8.4           | % |
| General and administrative                          | 16,516           | 11,435    | 5,081          | 44.4          | % |
| Depreciation and amortization                       | 108,266          | 107,419   | 847            | 0.8           | % |
| Ground/facility leases                              | 4,822            | 4,771     | 51             | 1.1           | % |
| Provision for real estate impairment                | 15,317           | —         | 15,317         | 100.0         | % |
| Total operating expenses                            | 310,117          | 293,837   | 16,280         | 5.5           | % |
| Operating income                                    | 61,829           | 92,141    | (30,312)       | (32.9)        | % |
| <b>Nonoperating income and (expenses)</b>           |                  |           |                |               |   |
| Interest income                                     | 2,464            | 2,754     | (290)          | (10.5)        | % |
| Interest expense                                    | (29,290)         | (42,746)  | 13,456         | (31.5)        | % |
| Amortization of deferred financing costs            | (2,051)          | (3,894)   | 1,843          | (47.3)        | % |
| (Loss) gain from disposition of real estate         | (632)            | 17,409    | (18,041)       | (103.6)       | % |
| Total nonoperating expense                          | (29,509)         | (26,477)  | (3,032)        | 11.5          | % |
| Income before income taxes                          | 32,320           | 65,664    | (33,344)       | (50.8)        | % |
| Income tax provision                                | (524)            | (690)     | 166            | (24.1)        | % |
| Net income                                          | 31,796           | 64,974    | (33,178)       | (51.1)        | % |
| Net income attributable to noncontrolling interests | (508)            | (949)     | 441            | (46.5)        | % |
| Net income attributable to ACC, Inc. and            | \$31,288         | \$64,025  | \$(32,737)     | (51.1)        | % |

## Subsidiaries common stockholders

## Same Store and New Property Operations

A reconciliation of our same store, new property and sold/held for sale property operations to our consolidated statements of comprehensive income is set forth below:

|                          | Same Store Properties     |           | New Properties            |       | Sold/Held for Sale Properties (1) |          | Total - All Properties    |           |
|--------------------------|---------------------------|-----------|---------------------------|-------|-----------------------------------|----------|---------------------------|-----------|
|                          | Six Months Ended June 30, |           | Six Months Ended June 30, |       | Six Months Ended June 30,         |          | Six Months Ended June 30, |           |
|                          | 2017                      | 2016      | 2017                      | 2016  | 2017 (2)                          | 2016 (3) | 2017                      | 2016      |
| Number of properties (4) | 124                       | 124       | 11                        | —     | 2                                 | 24       | 137                       | (5) 148   |
| Number of beds (4)       | 73,871                    | 73,871    | 4,882                     | —     | 1,517                             | 14,924   | 80,270                    | 88,795    |
| Revenues (6)             | \$327,401                 | \$317,691 | \$19,137                  | \$104 | \$3,046                           | \$44,104 | \$349,584                 | \$361,899 |
| Operating expenses       | 140,091                   | 135,598   | 7,920                     | 158   | 2,118                             | 20,817   | 150,129                   | 156,573   |

(1) Does not include the allocation of payroll and other administrative costs related to corporate management and oversight.

(2) Includes one property that was sold during the six months ended June 30, 2017 and one property that is in the process of being transferred to the lender in settlement of the property's \$27.4 million mortgage loan due to mature in August 2017.

(3) Includes properties sold in 2016 and 2017, and one property that is in the process of being transferred to the lender as discussed above.

(4) Does not include properties under construction or undergoing redevelopment.

(5) Difference from total operating property portfolio represents one property that was sold during the six months ended June 30, 2017.

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

**Same Store Properties:** The increase in revenue from our same store properties was primarily due to an increase in average rental rates for the 2016/2017 academic year, partially offset by a slight decrease in our weighted average occupancy from 94.6% during the six months ended June 30, 2016 to 94.5% for the six months ended June 30, 2017.

The increase in operating expenses from our same store properties was primarily due to the same factors that contributed to the increase in operating expenses for the three months ended June 30, 2017, as discussed above, as well as an increase in repairs and maintenance expense due to insurance deductibles for weather related events and non-routine repair work at certain properties.

**New Property Operations:** Our new properties for the six months ended June 30, 2017 are summarized in the table of new properties contained in the discussion of our results of operations for the three months ended June 30, 2017 and 2016.

## On-Campus Participating Properties ("OCPP") Operations

**Same Store OCPP Properties:** We had five participating properties containing 5,086 beds which were operating during the six months ended June 30, 2017 and 2016. Revenues from these properties remained stable at \$16.3 million for the comparable six month periods as a result of an increase in average rental rates for the 2016/2017 academic year, offset by a decrease in average occupancy from 75.8% for the six months ended June 30, 2016 to 74.1% for the

six months ended June 30, 2017. Operating expenses at these properties increased by \$0.9 million, from \$6.3 million for the six months ended June 30, 2016 as compared to \$7.2 million for the six months ended June 30, 2017, primarily due to the same factors that contributed to the increase in operating expenses for the three months ended June 30, 2017, as discussed above.

#### Third-Party Development Services Revenue

Third-party development services revenue decreased by approximately \$2.1 million, from \$3.2 million during the six months ended June 30, 2016 to \$1.1 million for the six months ended June 30, 2017. This decrease was due to a \$0.5 million fee earned for the performance of various predevelopment activities for the University of Kansas during the six months ended June 30, 2016, in addition to the same factors that contributed to the decrease for the three months ended June 30, 2017, as discussed above.

#### Third-Party Development and Management Services Expenses

Third-party development and management services expenses increased by approximately \$0.6 million, from \$7.3 million during the six months ended June 30, 2016 to \$7.9 million for the six months ended June 30, 2017. This increase was due to an increase in the allocation of payroll and other administrative costs related to corporate management and oversight, as a result of growth in our managed property portfolio related to the provision of management services for 11 properties during the first quarter 2017 that were part of a portfolio disposed of in the fourth quarter 2016. The transition period for the temporary management of these

properties ended on March 31, 2017. We anticipate third-party development and management services expenses will increase in 2017 as compared to 2016 for the reasons discussed above as well as additional anticipated activity in our third-party development services segment.

#### General and Administrative

General and administrative expenses increased by approximately \$5.1 million, from \$11.4 million during the six months ended June 30, 2016 to \$16.5 million for the six months ended June 30, 2017. This increase was primarily due to \$4.5 million in contractual executive separation and retirement charges incurred in the six months ended June 30, 2017 as a result of the retirement of the Company's Chief Financial Officer, additional expenses incurred in connection with enhancements to our operating systems platform, additional payroll, healthcare and benefits expense, and other general inflationary factors.

#### Depreciation and Amortization

Depreciation and amortization increased by approximately \$0.9 million, from \$107.4 million during the six months ended June 30, 2016 to \$108.3 million for the six months ended June 30, 2017. This increase was primarily due to the following: (i) a \$5.9 million increase related to the completion of construction and opening of seven owned development properties in August and September of 2016; (ii) a \$3.3 million increase due to property acquisition activity during 2016 and 2017; and (iii) a \$2.5 million increase in depreciation expense at our same store properties. These increases were partially offset by an \$11.0 million decrease in depreciation and amortization expense related to properties sold in 2016 and 2017.

#### Provision for Real Estate Impairment

During the six months ended June 30, 2017, we recorded an impairment charge of approximately \$15.3 million for one wholly-owned property that is in the process of being transferred to the lender in settlement of the property's \$27.4 million mortgage loan due to mature in August 2017. Refer to Note 7 in the accompanying Notes to Consolidated Financial Statements in Item 1 for a detailed discussion of this transaction.

#### Interest Expense

Interest expense decreased by approximately \$13.4 million, from \$42.7 million during the six months ended June 30, 2016 to \$29.3 million for the six months ended June 30, 2017. Interest expense decreased as a result of the following: (i) a decrease of approximately \$5.2 million related to the disposition of properties with outstanding mortgage debt during 2016; (ii) a \$4.4 million increase in capitalized interest due to the timing and volume of construction activities on our owned development projects during the comparable six month periods; (iii) a \$3.0 million decrease related to the pay-off of mortgage loans during 2016; (iv) a decrease of approximately \$2.6 million due to the pay-off of our Term Loan II Facility in February 2016 and the pay-off of a portion of the Term Loan I Facility in November 2016; and (v) a \$0.5 million decrease related to lower outstanding balances on our mortgage debt due to continued scheduled principal payments. These decreases were partially offset by a \$1.9 million increase in interest expense related to increased borrowings on our revolving credit facility.

#### Amortization of Deferred Financing Costs

Amortization of deferred financing costs decreased by approximately \$1.8 million, from \$3.9 million during the six months ended June 30, 2016 to \$2.1 million for the six months ended June 30, 2017. This decrease was primarily due to \$1.1 million of accelerated amortization related to the pay-off of our Term Loan II Facility in February 2016, \$0.4 million related to the pay-off of a portion of the Term Loan I Facility in November 2016, and \$0.2 million related to properties with mortgage debt sold in 2016.

(Loss) Gain from Disposition of Real Estate

During the six months ended June 30, 2017, we sold one wholly-owned property containing 657 beds, resulting in a net loss from disposition of real estate of approximately \$0.6 million. During the six months ended June 30, 2016, we sold two wholly-owned properties containing 1,324 beds, resulting in a net gain from disposition of real estate of approximately \$17.4 million.

Noncontrolling Interests

Noncontrolling interests represent holders of common and preferred units in our Operating Partnership not held by ACC or ACC Holdings as well as certain third-party partners in joint ventures consolidated by us for financial reporting purposes. Accordingly, these external partners are allocated their share of income/loss during the respective reporting periods. Refer to Note 9 in the accompanying Notes to Consolidated Financial Statements in Item 1 for a detailed discussion of noncontrolling interests.

## Liquidity and Capital Resources

### Cash Balances and Cash Flows

As of June 30, 2017, excluding our on-campus participating properties, we had \$37.6 million in cash and cash equivalents and restricted cash as compared to \$32.3 million in cash and cash equivalents and restricted cash as of December 31, 2016. Restricted cash primarily consists of escrow accounts held by lenders and resident security deposits, as required by law in certain states, and funds held in escrow in connection with potential acquisition and development opportunities. The following discussion relates to changes in cash due to operating, investing and financing activities, which are presented in our consolidated statements of cash flows included in Item 1.

**Operating Activities:** For the six months ended June 30, 2017, net cash provided by operating activities was approximately \$128.6 million, as compared to approximately \$151.3 million for the six months ended June 30, 2016, a decrease of \$22.7 million. This decrease in cash flows was due to the timing of collections of our student accounts receivable as well as a decrease in operating cash flows related to property dispositions during 2016 and 2017. These decreases were partially offset by operating cash flows provided by property acquisitions in 2016 and 2017, and the completion of construction and opening of seven owned development projects in the third quarter of 2016.

**Investing Activities:** Investing activities utilized approximately \$431.4 million and \$195.6 million for the six months ended June 30, 2017 and 2016, respectively. The \$235.8 million increase in cash utilized in investing activities was primarily a result of the following: (i) a \$100.8 million increase in cash paid for property acquisitions during the six months ended June 30, 2017, (ii) a \$53.5 million increase in cash used to fund the construction of our wholly-owned development properties, related to the timing of construction commencement and completion of our owned development pipeline; (iii) a \$48.2 million decrease in proceeds from the disposition of wholly-owned properties, as we sold two properties during the six months ended June 30, 2016 as compared to the sale of one property during the six months ended June 30, 2017; (iv) a \$16.1 million increase in cash paid to acquire undeveloped land parcels in 2017; (v) a \$12.8 million increase in cash used to fund capital expenditures at our wholly-owned properties; and (vi) a \$5.2 million increase related to escrow deposits made on future acquisition opportunities. These increases were partially offset by a \$1.0 million decrease in cash used to fund capital reserves during the six months ended June 30, 2017.

**Financing Activities:** Cash provided by financing activities totaled approximately \$306.1 million and \$234.4 million for the six months ended June 30, 2017 and 2016, respectively. The \$71.7 million increase in cash provided by financing activities was primarily a result of the following: (i) a net increase of \$450.0 million related to our unsecured term loans as we borrowed \$200.0 million in June 2017 and paid off \$250.0 million in February 2016; (ii) a \$111.9 million increase in net draws on our revolving credit facility; (iii) a \$34.2 million decrease in cash used to pay off mortgage debt during the comparable three month periods; (iv) an \$8.2 million increase in contributions from noncontrolling interests during the six months ended June 30, 2017; and (v) a \$1.3 million decrease in scheduled principal payments on outstanding debt during the comparable periods. These increases were partially offset by the following: (i) a \$520.7 million decrease in net proceeds from the sale of common stock, related to our equity offering in February 2016 as compared to the issuance of common stock under our ATM Equity Program in 2017; (ii) a \$7.9 million increase in distributions to common and restricted stockholders and noncontrolling partners; (iii) a \$5.1 million increase in payments of debt issuance costs due to the amendment of our credit agreement in January 2017 and our New Term Loan II Facility in June 2017; and (iv) a \$1.3 million increase in taxes paid on net share settlements.

### Liquidity Needs, Sources and Uses of Capital

As of June 30, 2017, our short-term liquidity needs included, but were not limited to, the following: (i) anticipated distribution payments to our common and restricted stockholders totaling approximately \$241.5 million based on an

assumed annual cash distribution of \$1.76 per share and based on the number of our shares outstanding as of June 30, 2017; (ii) anticipated distribution payments to our Operating Partnership unitholders totaling approximately \$1.9 million based on an assumed annual distribution of \$1.76 per common unit and a cumulative preferential per annum cash distribution rate of 5.99% on our Preferred OP Units based on the number of units outstanding as of June 30, 2017; (iii) the pay-off of approximately \$66.3 million of outstanding fixed rate mortgage debt scheduled to mature during the next 12 months; (iv) estimated development costs over the next 12 months totaling approximately \$410.5 million for our wholly-owned properties currently under construction; (v) funds for other development projects scheduled to commence construction during the next 12 months; and (vi) potential future property or land acquisitions, including mezzanine financed developments.

We expect to meet our short-term liquidity requirements by (i) borrowing under our existing unsecured credit facility; (ii) accessing the unsecured bond market; (iii) exercising debt extension options to the extent they are available; (iv) issuing securities, including common stock, under our ATM Equity Program discussed more fully in Note 8 in the accompanying Notes to Consolidated Financial

Statements contained in Item 1, or otherwise; (v) potentially disposing of properties depending on market conditions; and (vi) utilizing current cash on hand and net cash provided by operations. Our ability to obtain additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the real estate industry, our credit ratings and credit capacity, as well as the perception of lenders regarding our long or short-term financial prospects.

In January 2017, the Company amended and expanded its senior unsecured revolving credit facility, increasing the facility size to \$700 million and extending the maturity date to March 2022. The amended facility has an accordion feature that allows the Company to expand the facility by up to an additional \$500 million, subject to the satisfaction of certain conditions. Borrowing rates under the credit facility float at a margin over LIBOR plus an annual facility fee with spreads reflecting current market terms which are more favorable than those contained in the prior facility. Both the margin and the facility fee are priced on a grid that is tied to the Company's credit rating. Based on the Company's current Baa2/BBB rating, the annual facility fee is 20 basis points and the LIBOR margin is 100 basis points, a reduction of 10 basis points from the prior facility.

In June 2017, the Company entered into a New Term Loan II Facility totaling \$200 million which will mature in 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. Borrowing rates under this agreement float at a margin over LIBOR and the margin is priced on a grid that is tied to the Company's credit rating. Based on the Company's current Baa2/BBB rating, the LIBOR margin is 110 basis points.

As discussed in Note 7 in the accompanying Notes to Consolidated Financial Statements contained in Item 1, 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 \$27.4 million mortgage loan due August 2017. As of June 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.

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

#### Distributions

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

On August 2, 2017, we declared a distribution per share of \$0.44, which will be paid on August 25, 2017 to all common stockholders of record as of August 14, 2017. At the same time, the Operating Partnership will pay an equivalent amount per unit to holders of Common OP Units, as well as the quarterly cumulative preferential



distribution to holders of Preferred OP Units.

40

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## Pre-Development Expenditures

Our third-party and owned development activities have historically required us to fund pre-development expenditures such as architectural fees, permits and deposits. The closing and/or commencement of construction of these development projects is subject to a number of risks such as our inability to obtain financing on favorable terms and delays or refusals in obtaining necessary zoning, land use, building, and other required governmental permits and authorizations. As such, we cannot always predict accurately the liquidity needs of these activities. We frequently incur these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained. Accordingly, we bear the risk of the loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or we are unable to successfully obtain the required permits and authorizations. Historically, our third-party and owned development projects have been successfully structured and financed; however, these developments have at times been delayed beyond the period initially scheduled, causing revenue to be recognized in later periods. As of June 30, 2017, we have deferred approximately \$6.1 million in pre-development costs related to third-party and owned development projects that have not yet commenced construction.

## Indebtedness

The amounts below exclude net unamortized debt premiums and discounts related to mortgage loans assumed in connection with property acquisitions, original issue discounts (“OID”s), and deferred financing costs (see Note 7 in the accompanying Notes to the Consolidated Financial Statements contained in Item 1). A summary of our consolidated indebtedness as of June 30, 2017 is as follows:

|                                     | Amount      | % of<br>Total | Weighted<br>Average<br>Rates <sup>(1)</sup> |  | Weighted Average Maturities |
|-------------------------------------|-------------|---------------|---------------------------------------------|--|-----------------------------|
| Secured                             | \$661,364   | 28.1 %        | 4.9 %                                       |  | 5.4 Years                   |
| Unsecured                           | 1,692,286   | 71.9 %        | 3.3 %                                       |  | 5.1 Years                   |
| Total consolidated debt             | \$2,353,650 | 100.0%        | 3.7 %                                       |  | 5.2 Years                   |
| Fixed rate debt                     |             |               |                                             |  |                             |
| Secured                             |             |               |                                             |  |                             |
| Project-based taxable bonds         | \$33,870    | 1.4 %         | 7.6 %                                       |  | 7.3 Years                   |
| Mortgage                            | 626,457     | 26.6 %        | 4.7 %                                       |  | 5.3 Years                   |
| Unsecured                           |             |               |                                             |  |                             |
| April 2013 Notes                    | 400,000     | 17.0 %        | 3.8 %                                       |  | 5.8 Years                   |
| June 2014 Notes                     | 400,000     | 17.0 %        | 4.1 %                                       |  | 7.0 Years                   |
| September 2015 Notes                | 400,000     | 17.0 %        | 3.4 %                                       |  | 3.3 Years                   |
| Total - fixed rate debt             | 1,860,327   | 79.0 %        | 4.1 %                                       |  | 5.4 Years                   |
| Variable rate debt:                 |             |               |                                             |  |                             |
| Secured                             |             |               |                                             |  |                             |
| Construction                        | 1,037       | 0.1 %         | 3.7 %                                       |  | 2.6 Years                   |
| Unsecured                           |             |               |                                             |  |                             |
| Term loans                          | 350,000     | 14.9 %        | 2.3 %                                       |  | 4.4 Years                   |
| Unsecured revolving credit facility | 142,286     | 6.0 %         | 2.3 %                                       |  | 4.7 Years                   |
| Total - variable rate debt          | 493,323     | 21.0 %        | 1.3 %                                       |  | 5.8 Years                   |
| Total consolidated debt             | 2,353,650   | 100.0%        | 3.7 %                                       |  | 5.2 Years                   |

(1) Represents stated interest rate and does not include the effect of the amortization of deferred financing costs, debt premiums and discounts, OIDs, and interest rate swap terminations.



## Funds From Operations (“FFO”)

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

We also believe it is meaningful to present a measure we refer to as FFO-Modified, or FFOM, which reflects certain adjustments related to the economic performance of our on-campus participating properties, and the elimination of property acquisition costs, contractual executive separation and retirement charges and other non-cash items, as we determine in good faith. Under our participating ground leases, we and the participating university systems each receive 50% of the properties’ net cash available for distribution after payment of operating expenses, debt service (which includes significant amounts towards repayment of principal) and capital expenditures. A substantial portion of our revenues attributable to these properties is reflective of cash that is required to be used for capital expenditures and for the amortization of applicable property indebtedness. These amounts do not increase our economic interest in these properties or otherwise benefit us since our interest in the properties terminates upon the repayment of the applicable property indebtedness. Therefore, unlike the ownership of our wholly-owned properties, the unique features of our ownership interest in our on-campus participating properties cause the value of these properties to diminish over time. For example, since the ground/facility leases under which we operate the participating properties require the reinvestment from operations of specified amounts for capital expenditures and for the repayment of debt while our interest in these properties terminates upon the repayment of the debt, such capital expenditures do not increase the value of the property to us and mortgage debt amortization only increases the equity of the ground lessor. Accordingly, we believe it is meaningful to modify FFO to exclude the operations of our on-campus participating properties and to consider their impact on our performance by including only that portion of our revenues from those properties that are reflective of our share of net cash flow and the management fees that we receive, both of which increase and decrease with the operating performance of the properties. This narrower measure of performance measures our profitability for these properties in a manner that is similar to the measure of our profitability from our third-party services business where we similarly incur no initial or ongoing capital investment in a property and derive only consequential benefits from capital expenditures and debt amortization. We believe, however, that this narrower measure of performance is inappropriate in traditional real estate ownership structures where debt amortization and capital expenditures enhance the property owner’s long-term profitability from its investment.

Our FFOM may have limitations as an analytical tool because it reflects the contractual calculation of net cash flow from our on-campus participating properties, which is unique to us and is different from that of our owned off-campus properties. Companies that are considered to be in our industry may not have similar ownership structures; and therefore those companies may not calculate FFOM in the same manner that we do, or at all, limiting its usefulness as a comparative measure. We compensate for these limitations by relying primarily on our GAAP and FFO results and using FFOM only supplementally. Further, FFO and FFOM do not represent amounts available for management’s discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments and uncertainties. FFO and FFOM should not be considered as alternatives to net income or loss computed in

accordance with GAAP as an indicator of our financial performance, or to cash flow from operating activities computed in accordance with GAAP as an indicator of our liquidity, nor are these measures indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

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

|                                                                                                  | Three Months Ended |             | Six Months Ended |             |
|--------------------------------------------------------------------------------------------------|--------------------|-------------|------------------|-------------|
|                                                                                                  | June 30,<br>2017   | 2016        | June 30,<br>2017 | 2016        |
| Net (loss) income attributable to ACC, Inc. and Subsidiaries common stockholders                 | \$(2,762 )         | \$ 18,438   | \$ 31,288        | \$ 64,025   |
| Noncontrolling interests                                                                         | 109                | 327         | 508              | 949         |
| Loss (gain) from disposition of real estate                                                      | 632                | —           | 632              | (17,409 )   |
| Elimination of provision for real estate impairment <sup>(1)</sup>                               | 15,317             | —           | 15,317           | —           |
| Real estate related depreciation and amortization                                                | 55,211             | 52,885      | 106,729          | 105,931     |
| Funds from operations (“FFO”) attributable to common stockholders and OP unitholders             | 68,507             | 71,650      | 154,474          | 153,496     |
| Elimination of operations of on-campus participating properties:                                 |                    |             |                  |             |
| Net loss (income) from on-campus participating properties                                        | 1,395              | 1,097       | (1,852 )         | (2,067 )    |
| Amortization of investment in on-campus participating properties                                 | (1,869 )           | (1,831 )    | (3,729 )         | (3,654 )    |
|                                                                                                  | 68,033             | 70,916      | 148,893          | 147,775     |
| Modifications to reflect operational performance of on-campus participating properties:          |                    |             |                  |             |
| Our share of net cash flow <sup>(2)</sup>                                                        | 778                | 1,015       | 1,535            | 1,865       |
| Management fees                                                                                  | 272                | 264         | 740              | 723         |
| Contribution from on-campus participating properties                                             | 1,050              | 1,279       | 2,275            | 2,588       |
| Contractual executive separation and retirement charges <sup>(3)</sup>                           | 3,420              | —           | 4,515            | —           |
| Funds from operations – modified (“FFOM”) attributable to common stockholders and OP unitholders | \$ 72,503          | \$ 72,195   | \$ 155,683       | \$ 150,363  |
| FFO per share – diluted                                                                          | \$ 0.50            | \$ 0.54     | \$ 1.14          | \$ 1.19     |
| FFOM per share – diluted                                                                         | \$ 0.53            | \$ 0.54     | \$ 1.15          | \$ 1.16     |
| Weighted-average common shares outstanding – diluted                                             | 136,602,368        | 132,638,808 | 135,851,836      | 132,159,380 |

- (1) Represents an impairment charge recorded for a wholly-owned property that is in the process of being transferred to the lender in settlement of the property's \$27.4 million mortgage loan due to mature in August 2017. 50% of the properties' net cash available for distribution after payment of operating expenses, debt service (including repayment of principal) and capital expenditures. Represents amounts accrued for the interim periods, which is included in ground/facility leases expense in the consolidated statements of comprehensive income.
- (2) Represents contractual executive separation and retirement charges incurred in the first and second quarter 2017 with regard to the retirement of the company's Chief Financial Officer.

## Inflation

Our student leases do not typically provide for rent escalations. However, they typically do not have terms that extend beyond 12 months. Accordingly, although on a short term basis we would be required to bear the impact of rising costs resulting from inflation, we have the opportunity to raise rental rates at least annually to offset such rising costs. However, a weak economic environment or declining student enrollment at our principal universities may limit our ability to raise rental rates.



### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and unitholders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates. Our exposure to market risk includes interest rate fluctuations in connection with our revolving credit facilities and variable rate construction loans and our ability to incur more debt without stockholder approval, thereby increasing our debt service obligations, which could adversely affect our cash flows. No material changes have occurred in relation to market risk since our Annual Report on Form 10-K for the year ended December 31, 2016.

### Item 4. Controls and Procedures

American Campus Communities, Inc.

#### (a) Evaluation of Disclosure Controls and Procedures

As required by SEC Rule 13a-15(b), we have carried out an evaluation, under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures for the quarter covered by this report were effective at the reasonable assurance level.

#### (b) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

American Campus Communities Operating Partnership, L.P.

#### (a) Evaluation of Disclosure Controls and Procedures

As required by SEC Rule 13a-15(b), we have carried out an evaluation, under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures for the quarter covered by this report were effective at the reasonable assurance level.

#### (b) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims, lawsuits and legal proceedings that arise 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 our consolidated financial position or our results of operations.

Item 1A. Risk Factors

There have been no material changes to the risk factors that were discussed in Part 1, Item 1A of the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

|                |                                                                                                                                                                                                                                                                                                     |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item 6.        | Exhibits                                                                                                                                                                                                                                                                                            |
| Exhibit Number | Description of Document                                                                                                                                                                                                                                                                             |
| 3.2            | Amendment to Bylaws of American Campus Communities, Inc. Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K of American Campus Communities, Inc. (File No. 001-32265) and American Campus Communities Operating Partnership LP (File No. 333-181102-01) filed on April 21, 2017 |
| 31.1           | American Campus Communities, Inc. - Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                             |
| 31.2           | American Campus Communities, Inc. - Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                             |
| 31.3           | American Campus Communities Operating Partnership, L.P. - Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                       |
| 31.4           | American Campus Communities Operating Partnership, L.P. - Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                       |
| 32.1           | American Campus Communities, Inc. - Certification of Chief Executive Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                            |
| 32.2           | American Campus Communities, Inc. - Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                              |
| 32.3           | American Campus Communities Operating Partnership, L.P. - Certification of Chief Executive Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                      |
| 32.4           | American Campus Communities Operating Partnership, L.P. - Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                        |
| 101.INS        | XBRL Instance Document                                                                                                                                                                                                                                                                              |
| 101.SCH        | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                             |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                               |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                                |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                                                     |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                              |



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 4, 2017  
AMERICAN CAMPUS  
COMMUNITIES, INC.

By: /s/ Daniel B. Perry

Daniel B. Perry  
Executive Vice President,  
Chief Financial Officer,  
Treasurer and Secretary

By: /s/ Kim K. Voss

Kim K. Voss  
Executive Vice President,  
Chief Accounting Officer,  
and Assistant Secretary

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 4, 2017  
AMERICAN CAMPUS COMMUNITIES  
OPERATING PARTNERSHIP, L.P.

By: American Campus Communities Holdings,  
LLC, its general partner

By: American Campus Communities, Inc.,  
its sole member

By: /s/ Daniel B. Perry

Daniel B. Perry  
Executive Vice President,  
Chief Financial Officer,  
Treasurer and Secretary

By: /s/ Kim K. Voss

Kim K. Voss  
Executive Vice President,  
Chief Accounting Officer,

