

GMH Communities Trust  
Form S-11/A  
September 20, 2005

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As filed with the U.S. Securities and Exchange Commission, via EDGAR, on September 20, 2005

SEC Registration No. 333-128081

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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PRE-EFFECTIVE AMENDMENT NO. 1  
TO  
**FORM S-11**

FOR REGISTRATION UNDER  
THE SECURITIES ACT OF 1933  
OF CERTAIN REAL ESTATE COMPANIES

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## **GMH Communities Trust**

(Exact name of registrant as specified in its governing instruments)

**10 Campus Boulevard, Newtown Square, Pennsylvania 19073  
(610) 355-8000**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

**Joseph M. Macchione, Esquire  
Senior Vice President and General Counsel  
10 Campus Boulevard, Newtown Square, Pennsylvania 19073  
(610) 355-8000**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

---

*with copies to:*

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(804) 788-8200  
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**Approximate date of commencement of the proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.**

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: o

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed or supplemented. We cannot sell any of the securities described in this prospectus until the registration statement that we have filed to cover the securities has become effective under the rules of the Securities and Exchange Commission. This prospectus is not an offer to sell the securities nor is it a solicitation of an offer to buy the securities in any jurisdiction where an offer or sale of the securities is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 19, 2005

Prospectus

6,750,000 Shares

## GMH COMMUNITIES TRUST

### Common Shares of Beneficial Interest

We are a self-advised, self-managed, specialty housing company that focuses on providing housing to college and university students residing off-campus and to members of the U.S. military and their families. This is a public offering of 6,750,000 of our common shares of beneficial interest.

Our common shares are listed on the New York Stock Exchange under the symbol "GCT." On September 16, 2005, the last reported sale price of our common shares on the New York Stock Exchange was \$14.82 per share. We elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ended December 31, 2004, and intend to continue to qualify as a REIT.

Investing in our common shares involves a high degree of risk. See "Risk Factors" beginning on page 26.

|                                      | Per Share | Total |
|--------------------------------------|-----------|-------|
| Public offering price                | \$        | \$    |
| Underwriting discount <sup>(1)</sup> | \$        | \$    |
| Proceeds to us, before expenses      | \$        | \$    |

(1)

Does not include a fee equal to 0.2% of the gross proceeds of the offering that will be paid to Banc of America Securities LLC.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters may also purchase up to an additional 1,012,500 common shares from us at the public offering price, less the underwriting discount, within 30 days after the date of this prospectus to cover over-allotments, if any. At our request, the underwriters have reserved up to

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2% of the common shares being offered by this prospectus for sale to our trustees, employees, business associates and related persons through a directed share program at the public offering price. We expect to deliver the common shares on or about , 2005.

**Banc of America Securities LLC**

**Merrill Lynch & Co.**

**Morgan Stanley**

**Wachovia Securities**

**Raymond James**

, 2005

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No dealer, salesperson or other individual has been authorized to give any information or to make any representation other than those contained in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us or the underwriters. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained herein is correct as of any time subsequent to the date hereof.

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Market data and forecasts used in this prospectus have been obtained from independent industry sources as well as from research reports prepared for other purposes, including a market study conducted by Rosen Consulting Group, LLC and dated July 2004. Rosen Consulting Group, a California-based real estate and regional economics research and consulting firm, provides expert viewpoints and forecasts on the economy, the capital markets and the real estate markets for banks, insurance companies and real estate investors. We have not independently verified the data obtained from these sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

## SUMMARY

*The following summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors" and the financial statements and unaudited pro forma financial information, and related notes, appearing elsewhere in this prospectus, before making a decision to invest in our common shares. Our operating partnership, GMH Communities, LP, commenced operations on July 27, 2004, and, upon completion of our initial public offering in November 2004, GMH Communities Trust, through a wholly owned subsidiary, became the sole general partner of GMH Communities, LP. We currently own and operate all of our assets through our operating partnership. In this prospectus, unless the context suggests otherwise, references to "our company," "we," "us" and "our" mean GMH Communities Trust, including our operating partnership, GMH Communities, LP, as well as our other direct and indirect subsidiaries.*

*The historical operations described in this prospectus prior to the completion of our initial public offering in November 2004 refer to the historical operations of our predecessor entities. We have described our operations in this prospectus as if the historical operations of our predecessor entities were conducted by us. Unless indicated otherwise, the information included in this prospectus assumes no exercise of the underwriters' over-allotment option to purchase up to 1,012,500 additional common shares and that the common shares to be sold in this offering have been sold at \$14.82 per share, which was the closing price of the common shares on September 16, 2005, as reported on the New York Stock Exchange.*

## Our Company

We are a self-advised, self-managed, specialty housing company that focuses on providing housing to college and university students residing off-campus and to members of the U.S. military and their families. Through our operating partnership, we own and operate our student housing properties and own minority interests in joint ventures that own our military housing privatization projects. Through our taxable REIT subsidiaries, we provide development, construction, renovation and management services for our military housing privatization projects and property management services for student housing properties owned by others. In addition, through our operating partnership, we provide consulting services with respect to the management of certain student housing properties owned by others, including colleges, universities and other private owners. We are one of the leading providers of housing, lifestyle and community solutions for students and members of the U.S. military and their families.

We currently own or have ownership interests in 51 student housing properties, containing a total of 9,473 units and 30,755 beds, and four undeveloped parcels of land. We also manage or provide consulting services for 18 student housing properties owned by others, containing a total of 4,225 units and 12,085 beds and an estimated 224 units and 718 beds currently under construction, and we provide interim management services for an additional student housing property under construction. Additionally, our operating partnership has an ownership interest in, and through various wholly-owned subsidiaries operates, seven military housing privatization projects, and has an additional project under exclusive negotiation, comprising an aggregate of 16,744 housing units on 19 military bases.

We were formed in May 2004 to continue and expand upon the student and military housing businesses of our predecessor entities and other affiliated entities, collectively referred to as GMH Associates. GMH Associates was founded in 1985 principally to acquire, develop and manage commercial and residential real estate, focusing on student housing. In 1999, GMH Associates also began competing for the award of contracts to develop, construct, renovate and manage housing units for members of the U.S. military and their families, referred to as military housing privatization projects.

We elected to be treated as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2004,

and intend to continue to qualify as a REIT. We perform certain management and other services relating to student and military housing, which would not be permitted to be performed by a REIT, through taxable REIT subsidiaries, GMH Military Housing, LLC and College Park Management TRS, Inc. A "taxable REIT subsidiary" is a corporation in which a REIT directly or indirectly holds shares and which makes a joint election with the REIT to be treated as a taxable REIT subsidiary. Taxable REIT subsidiaries are generally subject to federal income taxation in the same manner as regular corporations and not as REITs. The extent to which a REIT can conduct its operations through a taxable REIT subsidiary is limited by provisions of the Code, which require that (i) dividends from a taxable REIT subsidiary, together with other nonqualifying gross income of the REIT, constitute not more than 25% of the REIT's gross income in any taxable year and (ii) securities issued by taxable REIT subsidiaries represent not more than 20% of the value of the REIT's total assets as of the close of any quarter of a taxable year of the REIT.

### **Our Recent Activities**

Since the completion of our formation transactions in connection with our initial public offering on November 2, 2004, we have had substantial growth activities in both our student and military housing segments.

#### ***Student Housing***

Since the completion of our initial public offering and the formation transactions, we have acquired 30 properties totaling 17,658 beds, and three undeveloped parcels of land, for an aggregate purchase price of \$674.6 million. These properties were primarily financed through the placement and assumption of an aggregate of \$330.0 million in mortgage debt on these properties. As of September 19, 2005, including the acquisitions that we completed in connection with our formation transactions and initial public offering, we have acquired 51 student housing properties, and four undeveloped parcels of land for development as student housing properties, for an aggregate purchase price of \$1,059.3 million, including an aggregate of \$306.4 million in new mortgage debt and the assumption of \$319.0 million in existing mortgage debt. In addition, we refinanced variable-rate mortgage debt secured by seven of our student housing properties, resulting in the repayment of approximately \$20.4 million of the total \$113.7 million of mortgage debt on these properties and replaced the remaining \$93.3 million of variable-rate mortgage debt with an equal amount of fixed-rate mortgage debt with interest rates ranging from 4.24% to 4.7% and maturity terms ranging from five to seven years.

We also have entered into a joint venture with an institutional partner to develop and construct two student housing properties, one of which is located in Orono, Maine and the other in Bowling Green, Ohio, with estimated aggregate costs for acquiring the properties and development and construction of approximately \$43.5 million. Under the terms of this venture, our joint venture partner will fund 90% of the \$11.5 million in equity expected to be required for the properties, which includes acquisition costs for the properties and a portion of the development and construction costs. We will fund the remaining 10% of this \$11.5 million required equity, or approximately \$1.2 million. The joint venture is in the process of obtaining a construction loan for each property that we expect to permit draws for up to an aggregate of \$32.0 million, or approximately 75% of the total costs for the two student housing properties to be developed. We will manage these properties, including the development, construction and pre-leasing of the properties. We have the option to purchase our joint venture partner's interest in the joint venture within one year after completion of the student housing properties, which is expected to be prior to the 2006/2007 academic year.

### ***Military Housing***

Since our initial public offering, we were awarded and have entered into final agreements with respect to three military housing privatization projects in operation, in addition to the four military housing privatization projects in which we acquired interests in connection with our formation transactions. Shortly after completion of our initial public offering, we partnered with the Department of the Navy to design, build, manage and maintain the military family housing at eight Northeast Region naval installations, referred to as our Navy Northeast project. In addition, during the first quarter of 2005, we obtained permanent financing on our Fort Eustis/Fort Story project, which covers two bases located in Virginia involving the new construction and/or major renovation of more than 1,100 end-state housing units. End-state housing units are the housing units, including units subject to new construction and existing units, whether or not subject to renovation, that are approved for completion and management by the end of the initial development period for the project. Finally, in July 2005, we partnered with the Department of the Army to design, build, manage and maintain military housing at Fort Bliss near El Paso, Texas and the White Sands Missile Range near Las Cruces, New Mexico. The finalized plans for this project include a six-year initial development period with new construction and major renovation of more than 3,000 end-state housing units.

In May 2005, we were selected by the U.S. Department of the Army to be its private sector partner for the design, development, construction, renovation and management of family military housing at Fort Gordon, located near Augusta, Georgia. This 50-year project is expected to have a six-year initial development period with new construction and major renovation of an estimated 887 end-state housing units. We are in exclusive negotiations for this project, and expect to execute definitive agreements relating to the final terms of the project in the second quarter of 2006 upon approval from Congress and the Department of the Army. In addition, we are currently in the solicitation process with the Air Force for a military housing privatization project that is expected to cover four bases and in excess of 2,000 end-state housing units.

### ***Line of Credit***

In August 2005, we entered into an amendment of our three-year, \$150.0 million revolving credit facility, under which the calculation of the borrowing base was revised to include cash flow from the military housing construction and development fees and to increase the total cash flow attributable to annualized fees from the management, construction and development of the military housing privatization projects and student housing properties from 35% to 50%. The amendment also increased the applicable interest rate ranges on outstanding borrowings under the credit facility to the following: 1.625% to 2.375% for Eurodollar rate loans or 0.75% to 1.75% for prime rate loans. In addition, the amendment modified the calculation of the leverage ratio and increased the maximum leverage ratio from 60% to 65% through December 31, 2005. At the end of the first quarter of 2006, the maximum leverage ratio will revert to 60%.

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## Student Housing Business

### Properties We Own

The following table presents information regarding the 51 student housing properties and four undeveloped parcels of land that we own as of September 19, 2005:

| Property Name                                    | Year Built | Primary University Served                                                       | Occupancy Rate <sup>(1)</sup> | Number of Units <sup>(1)</sup> | Number of Beds <sup>(1)</sup> |
|--------------------------------------------------|------------|---------------------------------------------------------------------------------|-------------------------------|--------------------------------|-------------------------------|
| Blanton Common*                                  | 2005       | Valdosta State University                                                       | 100.0%                        | 208                            | 608                           |
| Campus Club Gainesville                          | 1997       | University of Florida                                                           | 95.6                          | 252                            | 924                           |
| Campus Club Statesboro                           | 2003       | Georgia Southern University                                                     | 98.6                          | 276                            | 984                           |
| Campus Connection <sup>(2)</sup>                 | 1998       | University of Illinois Urbana/Champaign                                         | 99.8                          | 270                            | 864                           |
| Campus Connection Phase II <sup>(3)</sup>        | N/A        | University of Illinois Urbana/Champaign                                         | N/A                           | N/A                            | N/A                           |
| Campus Ridge Apartments <sup>(3)*</sup>          | 2000       | East Tennessee State University                                                 | 96.2                          | 130                            | 520                           |
| Campus Ridge Apartments Phase II <sup>(3)*</sup> | N/A        | East Tennessee State University                                                 | N/A                           | N/A                            | N/A                           |
| Campus Walk                                      | 2001       | University of Mississippi                                                       | 99.5                          | 108                            | 432                           |
| Campus Walk*                                     | 1990       | University of North Carolina Wilmington                                         | 98.6                          | 289                            | 290                           |
| Chapel Ridge                                     | 2003       | University of North Carolina Chapel Hill                                        | 99.8                          | 180                            | 544                           |
| Chapel View*                                     | 1986       | University of North Carolina Chapel Hill                                        | 86.2                          | 224                            | 358                           |
| Collegiate Hall                                  | 2001       | University of Alabama Birmingham                                                | 97.5                          | 176                            | 528                           |
| Fields*                                          | 1999       | University of Illinois Urbana/Champaign                                         | 96.1                          | 192                            | 588                           |
| Grand Marc at Seven Corners*                     | 2000       | University of Minnesota                                                         | 100.0                         | 183                            | 370                           |
| Grand Marc at University Village*                | 2001       | University of California Riverside                                              | 90.4 <sup>(4)</sup>           | 212                            | 824                           |
| Nittany Crossings*                               | 1996       | Pennsylvania State University                                                   | 99.9                          | 204                            | 684                           |
| Orchard Trails <sup>(5)*</sup>                   | N/A        | University of Maine                                                             | N/A                           | N/A                            | N/A                           |
| Pirate's Cove                                    | 2000       | East Carolina University                                                        | 99.7                          | 264                            | 1,056                         |
| Seminole Suites*                                 |            | Florida State University; Tallahassee Community College; Florida A&M University |                               |                                |                               |
|                                                  | 2004       |                                                                                 | 95.1                          | 264                            | 924                           |
| South View Apartments*                           | 1996-1998  | James Madison University                                                        | 100.0                         | 240                            | 960                           |
| State College Park*                              | 1991       | Pennsylvania State University                                                   | 95.1                          | 196                            | 752                           |
| Stone Gate Apartments*                           | 1999-2000  | James Madison University                                                        | 100.0                         | 168                            | 672                           |
| The Centre*                                      | 2004       | Western Michigan University                                                     | 93.0                          | 232                            | 700                           |
| The Commons*                                     | 1991       | James Madison University                                                        | 99.4                          | 132                            | 528                           |
| The Edge I*                                      | 1998       | University of North Carolina Charlotte                                          | 100.0                         | 96                             | 384                           |
| The Edge II*                                     | 1999       | University of North Carolina Charlotte                                          | 100.0                         | 84                             | 336                           |
| The Enclave*                                     | 2002       | Bowling Green State University                                                  | 99.4                          | 120                            | 480                           |
| The Enclave Phase II <sup>(6)*</sup>             | N/A        | Bowling Green State University                                                  | N/A                           | N/A                            | N/A                           |
| The Highlands*                                   | 2004       | University of Nevada Reno                                                       | 97.1                          | 216                            | 732                           |
| The Ridge*                                       | 2002       | West Virginia University                                                        | 99.7                          | 168                            | 644                           |
| The Summit*                                      | 2003       | Minnesota State University Mankato                                              | 98.5                          | 192                            | 672                           |
| The Towers at 3 <sup>rd</sup> *                  | 1973       | University of Illinois Urbana/Champaign                                         | 99.6                          | 136                            | 271                           |
| The Verge*                                       | 2004       | California State University Sacramento                                          | 93.9 <sup>(6)</sup>           | 288                            | 792                           |
| The View*                                        | 2003       | University of Nebraska                                                          | 88.8                          | 156                            | 588                           |
| University Court                                 | 2001       | Michigan State University                                                       | 92.4                          | 138                            | 516                           |
| University Crescent                              | 1999       | Louisiana State University                                                      | 99.7                          | 192                            | 660                           |
| University Crossings*                            | 1997       | Kansas State University                                                         | 92.1                          | 229                            | 700                           |
| University Edge*                                 | 2003       | University of Southern Mississippi                                              | 99.8                          | 156                            | 552                           |
| University Estates                               | 2001       | Ball State University                                                           | 89.9                          | 144                            | 552                           |
| University Gables                                | 2001       | Middle Tennessee State University                                               | 99.9                          | 180                            | 648                           |
| University Glades                                | 2000       | University of Florida                                                           | 99.1                          | 120                            | 432                           |
| University Greens                                | 1999       | University of Oklahoma                                                          | 99.0                          | 156                            | 516                           |
| University Heights                               | 1999       | University of Tennessee                                                         | 99.1                          | 204                            | 635                           |

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|                         |           |                                        |                     |              |               |
|-------------------------|-----------|----------------------------------------|---------------------|--------------|---------------|
| University Lodge        | 2002      | University of Wyoming                  | 100.0%              | 121          | 481           |
| University Manor        | 2002      | East Carolina University               | 94.8                | 168          | 600           |
| University Mills        | 2002      | University of Northern Iowa            | 99.8                | 121          | 481           |
| University Oaks*        | 2004      | University of South Carolina           | 99.6                | 181          | 662           |
| University Pines        | 2001      | Georgia Southern University            | 99.3                | 144          | 552           |
| University Place        | 2003      | University of Virginia                 | 92.6                | 144          | 528           |
| University Pointe*      | 2004      | Texas Tech University                  | 96.3                | 204          | 684           |
| University Trails       | 2003      | Texas Tech University                  | 98.4                | 240          | 684           |
| University Walk         | 2002      | University of North Carolina Charlotte | 100.0               | 120          | 480           |
| Uptown*                 | 2004      | University of North Texas              | 96.2                | 180          | 528           |
| Willow Tree Apartments* | 1967-1968 | University of Michigan                 | 94.4 <sup>(6)</sup> | 312          | 572           |
| Willow Tree Towers*     | 1974      | University of Michigan                 | 83.6 <sup>(6)</sup> | 163          | 283           |
| <b>Total</b>            |           |                                        |                     | <b>9,473</b> | <b>30,755</b> |

\*

Acquired following our initial public offering and formation transactions.

(1) As of September 13, 2005, except that occupancy data for The Verge is as of September 14, 2005.

(2) Campus Connection (formerly referred to by us as Melrose Apartments Phase I) consists of a land parcel containing an existing student housing building that is contiguous to a 13.1-acre undeveloped parcel of land. The undeveloped parcel of land is referred to as Campus Connection Phase II (formerly referred to by us as Melrose Apartments Phase II). When developed, Campus Connection Phase II is expected to contain 168 units and 534 beds.

(3) Campus Ridge Apartments consists of a land parcel containing an existing student housing building that is contiguous to a 6.1-acre undeveloped parcel of land. This undeveloped parcel is referred to as Campus Ridge Apartments Phase II. When developed, Campus Ridge Apartments Phase II is expected to contain 112 units and 448 beds.

(4) This property is currently in the process of being pre-leased for the 2005/2006 academic year. Pre-leasing is expected to continue for an additional several weeks.

(5) Orchard Trails consists of an undeveloped 61-acre parcel of land located in Orono, Maine. The Enclave Phase II consists of an undeveloped 11-acre parcel of land located in Bowling Green, Ohio. These development land parcels are currently owned by a joint venture in which we hold a 10% interest. We have an option to purchase our joint venture partner's interest in the joint venture within one year after completion of the student housing properties. When developed, Orchard Trails is expected to consist of 144 units and 576 beds, and The Enclave Phase II is expected to consist of 144 units and 576 beds. Construction on both properties began in August 2005 and is expected to be completed prior to the 2006/2007 academic year.

(6) This property is currently in the process of being pre-leased for the 2005/2006 academic year. Pre-leasing is expected to continue for an additional several weeks.

### ***Pending Acquisitions***

As of September 19, 2005, through our operating partnership, we have entered into binding agreements to acquire two student housing properties in exchange for the payment of an aggregate cash purchase price of approximately \$73.8 million, including the expected placement of \$9.6 million in new mortgage debt on these properties and the assumption of approximately \$35.8 million of existing mortgage debt on these properties. In addition, as of September 19, 2005 we had non-binding letters of intent to acquire four student housing properties and two undeveloped parcels of land for an expected aggregate cash purchase price of \$139.4 million, including the expected placement of \$84.9 million in new mortgage debt on these assets.

We refer to these transactions throughout this prospectus as our pending acquisitions. Completion of our pending acquisitions is subject to customary conditions, including satisfactory completion by us of our due diligence investigation, acceptable environmental status and receipt of clear title to the properties subject to these agreements. We expect to acquire these assets, in some cases, subject to existing debt. We cannot assure you that we will be able to complete any of our pending acquisitions or that the terms we have negotiated will not change.

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The following table presents information regarding the student housing properties we have under contract or binding letter of intent as of September 19, 2005. We expect to acquire these properties prior to the end of the third quarter of 2005.

| Property Name                       | Year Built/<br>Renovated | Primary University Served                     | Occupancy<br>Rate <sup>(1)</sup> | Number of<br>Units <sup>(1)</sup> | Number<br>of Beds <sup>(1)</sup> |
|-------------------------------------|--------------------------|-----------------------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| University Crossings <sup>(2)</sup> | 1929/2003                | Drexel University; University of Pennsylvania | 99.0%                            | 260                               | 690                              |
| University Meadows                  | 2001                     | Central Michigan University                   | 98.0                             | 184                               | 616                              |
| <b>Total</b>                        |                          |                                               |                                  | <b>444</b>                        | <b>1,306</b>                     |

(1) As of September 13, 2005.

(2) This property is currently under a binding letter of intent with the seller. Under the terms of this letter of intent, we will acquire 100% of the partnership interest in the fee owner of the ground, which is comprised of a 99% limited partnership interest and 1% general partnership interest. We also will acquire 89% of the partnership interest in the leasehold owner of the building and other improvements located on the ground, which is comprised of an 88% limited partnership interest and a 1% general partnership interest. The remaining 11% limited partnership interest will be retained by the current limited partner. This property is subject to a master lease under which 54 units are reserved for Drexel University. Additionally, Drexel University leases certain office and classroom space in the ground floor of the building.

The following table presents information regarding the student housing properties we have under non-binding letters of intent as of September 19, 2005.

| Property Name                         | Year Built | Primary University Served          | Occupancy<br>Rate <sup>(1)</sup> | Number of<br>Units <sup>(1)</sup> | Number of<br>Beds <sup>(1)</sup> |
|---------------------------------------|------------|------------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Jacob Heights                         | 2004/2005  | Minnesota State University Mankato | 100.0%                           | 42                                | 162                              |
| Library Gardens <sup>(2)</sup>        | N/A        | University of California Berkeley  | N/A                              | N/A                               | N/A                              |
| Pegasus Connection <sup>(3)</sup>     | 2000       | University of Central Florida      | 99.5                             | 312                               | 930                              |
| Stadium Heights                       | 2003       | Minnesota State University Mankato | 100.0                            | 84                                | 252                              |
| Sycamore & 16th Street <sup>(4)</sup> | N/A        | Sam Houston State University       | N/A                              | N/A                               | N/A                              |
| Outfield Park <sup>(5)</sup>          | N/A        | University of Nebraska Lincoln     | N/A                              | N/A                               | N/A                              |
| <b>Total</b>                          |            |                                    |                                  | <b>438</b>                        | <b>1,344</b>                     |

(1) As of September 13, 2005.

(2) Library Gardens consists of a student housing property that is currently under construction and, when completed, is expected to contain 176 units and 554 beds. The property is expected to be completed in August 2006.

(3) We currently manage this property.

(4) Consists of a 12.5-acre undeveloped parcel of land that, when developed, is expected to contain 164 units and 600 beds.

(5) Consists of a 40-acre undeveloped parcel of land that, when developed, is expected to contain 170 units and 560 beds.

### ***Properties We Have Under Management***

We manage each of the student properties we own. We also manage or provide consulting services for 18 student housing properties owned by others, containing a total of 4,225 units and 12,085 beds, and an additional estimated 224 units and 718 beds that are currently under construction, and we provide interim management services for an additional student housing property under construction.

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We manage 13 of these student housing properties owned by others through one of our taxable REIT subsidiaries. Our operating partnership has entered into a consulting agreement with this taxable REIT subsidiary to provide property management consulting services for these 13 student housing properties in exchange for consulting fees equal to 80% of the amount of management fees the taxable REIT subsidiary receives from the property owners.

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The following table presents information regarding 13 of the student housing properties that we, through a taxable REIT subsidiary of our operating partnership, currently manage for others:

| Property Name                      | Year Built | Primary University Served              | Occupancy Rate <sup>(1)</sup> | Number of Units <sup>(1)</sup> | Number of Beds <sup>(1)</sup> |
|------------------------------------|------------|----------------------------------------|-------------------------------|--------------------------------|-------------------------------|
| College Park Bay Crest Apartments  | 1963       | California State University Long Beach | 96.7%                         | 237                            | 878                           |
| College Park Athens                | 1989       | University of Georgia                  | 98.2                          | 154                            | 495                           |
| College Park Wolf Creek Apartments | 2001       | North Carolina State University        | 95.1                          | 216                            | 768                           |
| College Park at State              | 1985       | Columbia College                       | 98.1                          | 330                            | 887                           |
| Magnolia Park <sup>(2)</sup>       | N/A        | Georgia College and State University   | N/A                           | N/A                            | N/A                           |
| Nittany Pointe                     | 2000       | Pennsylvania State University Altoona  | 96.2                          | 156                            | 624                           |
| Pegasus Connection <sup>(3)</sup>  | 1999       | University of Central Florida          | 99.8                          | 312                            | 930                           |
| Pegasus Landing                    | 1999       | University of Central Florida          | 99.3                          | 744                            | 2,532                         |
| Pegasus Pointe                     | 1999       | University of Central Florida          | 99.4                          | 432                            | 1,224                         |
| Scott Village                      | 2003       | University of Nebraska Omaha           | 100.0                         | 120                            | 480                           |
| SummerWalk Apartments              | 1978       | University of Central Florida          | 96.1                          | 304                            | 304                           |
| The Village at West Chester        | 2004       | West Chester University                | 99.8                          | 131                            | 524                           |
| University Hall                    | 2004       | West Chester University                | 99.6                          | 88                             | 265                           |
| <b>Total</b>                       |            |                                        |                               | <b>3,224</b>                   | <b>9,911</b>                  |

(1) As of September 13, 2005.

(2) Magnolia Park consists of a student housing property that is currently under construction and, when completed, is expected to contain 224 units and 718 beds. The property is expected to be completed in August 2006. We are currently providing pre-leasing services with respect to this property.

(3) As of June 30, 2005, based upon conditions for payment under the management agreement for this property, we did not meet the requisite conditions and therefore were not entitled to receive fees as of such date. We have a non-binding letter of intent to acquire this property.

In August 2005, we entered into an interim agreement to provide pre-leasing management services for a student housing property currently under construction in Philadelphia, Pennsylvania, located near Temple University, referred to as Avenue North. Under the terms of this interim agreement, we have agreed to provide the management services pending the execution of a definitive management agreement, the terms of which will be substantially similar to those under a form of management agreement previously submitted to the owner of the property. The property owner has agreed to pay us a monthly fee of \$15,000 in exchange for our pre-leasing services provided prior to the execution of the final management agreement and to the extent that a final management agreement is not executed as contemplated, to reimburse us for all of our costs and expenses incurred to perform the management services under the interim agreement.

We also provide consulting services to GMH Capital Partners Asset Services, L.P., an affiliate of Gary M. Holloway, Sr., with respect to the following five student housing properties. The consulting fees we receive equal 80% of the amount of management fees GMH Capital Partners Asset Services, L.P. receives from the property owners. We believe that the consulting fees we receive reflect the fair value of the services we provide.

| Property Name                              | Year Built/<br>Renovated | Primary University Served    | Occupancy Rate <sup>(1)</sup> | Number of Units <sup>(1)</sup> | Number of Beds <sup>(1)</sup> |
|--------------------------------------------|--------------------------|------------------------------|-------------------------------|--------------------------------|-------------------------------|
| The Artists' Residence                     | 2001                     | Massachusetts College of Art | 99.6%                         | 90                             | 310                           |
| The Commons <sup>(2)</sup>                 | 1990                     | Auburn University            | 100.0                         | 156                            | 308                           |
| The Edge at 42nd Street <sup>(3)</sup>     | 1968                     | University of South Florida  | 31.7                          | 415                            | 818                           |
| Scott Residence Hall and Conference Center | 2000                     | University of Nebraska Omaha | 100.0                         | 50                             | 168                           |
| University Towers                          | 1966                     | San Diego State University   | 99.3                          | 290                            | 570                           |
| <b>Total</b>                               |                          |                              |                               | <b>1,001</b>                   | <b>2,174</b>                  |

- (1) As of September 13, 2005.
- (2) Mr. Holloway currently owns a 20% interest in the entity that owns this property and our executive officers collectively hold profits interests totaling 26.7% of the gain, if any, realized by Mr. Holloway upon sale of the property. See "*Certain Relationships and Related Party Transactions*."
- (3) This property is currently scheduled for major renovations, which are expected to be completed prior to commencement of the 2006/2007 academic year.

**Strategy**

*Target select properties/markets.* We seek to acquire and manage high quality student housing properties strategically located near college or university campuses or other points of interest, such as restaurants or other nightlife destinations, that cater to students in close proximity to these campuses. We specifically target those acquisition sites that are located near colleges or universities with a student enrollment of at least 5,000, where there is a shortage of existing modern student housing.

*Deliver full range of high quality product.* We seek to acquire and manage modern, state-of-the-art student housing properties that are tailored to the "student lifestyle" and offer a wide variety of amenities, such as private bedrooms and high quality student furnishings, cable television, wired and wireless high-speed Internet access, a washer and dryer in each unit, fitness centers, swimming pools, computer centers, study rooms and game rooms.

*Superior execution of operations.* We intend to continue to manage our properties so as to maximize cash flow while offering our student residents quality services, such as 24-hour maintenance, roommate matching, leasing of our units by the bed and a simplified bill-paying process. We also utilize dynamic, professional marketing services to market and make information about us and our properties easily accessible to students.

**Market Opportunity**

We believe there are substantial opportunities to acquire and manage off-campus student housing properties. According to a report prepared by Rosen Consulting Group in July 2004, the off-campus student housing market contains approximately 5.3 million beds of an estimated 7.5 million total student housing beds. Based on our experience acquiring and operating student housing properties, we estimate that the aggregate value of all student housing properties as of that date is approximately \$159 billion, based on an assumed average asset value of \$30,000 per bed. Currently, the student housing market is highly fragmented and primarily served by local property owners. In addition, a significant number of existing student housing properties are obsolete, creating demand by students for high quality housing and premium services.

The U.S. Department of Education's National Center for Educational Statistics, or NCES, has projected that enrollment at four-year institutions of higher education in the U.S. will increase from the 15.3 million students that were enrolled in 2000 to 17.5 million students in 2010. We further believe that due to budgetary constraints, colleges and universities have not sufficiently expanded, renovated or modernized existing on-campus student housing to meet this increasing demand for student housing. According to the Rosen Consulting Group, the combination of higher enrollments of full-time students attending four-year programs and the lack of attractive on-campus housing properties available for students will cause a significant increase in demand for high quality off-campus student housing in those regions experiencing high levels of student growth.

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### Military Housing Business

#### *Overview*

In order to address poor housing quality, a significant backlog of repairs and rehabilitations to its military housing units on and near bases, and a shortage of affordable, quality private housing available to members of the U.S. military and their families, Congress included the Military Housing Privatization Initiative, or the MHPI, in the 1996 National Defense Authorization Act. Under the MHPI, the U.S. Department of Defense, or DoD, was granted the authority to award projects to private owners to develop, construct, renovate and manage military housing. Since 1996, according to statistics released by the DoD as of August 22, 2005, the U.S. military has awarded to private companies long-term agreements or the rights to exclusively negotiate agreements with the U.S. military for 63 domestic projects containing, in the aggregate, a total of 125,075 housing units, and continues to target for privatization a substantial number of additional military housing projects.

Since 1999, GMH Associates has assembled a highly coordinated, full service, professional team to focus on the procurement of military housing privatization projects. Our management team has won more than 40% of the privatization projects on which it has bid (including those projects for which exclusive negotiating rights have been awarded) and is currently the leader in number of bases privatized to date. As of September 19, 2005, our operating partnership had an ownership interest in, and through various wholly owned subsidiaries operates, the privatized military housing projects at the Department of the Army's Fort Stewart, Hunter Army Airfield, Fort Carson, Fort Hamilton, Fort Eustis, Fort Story, Walter Reed Army Medical Center, Fort Detrick, Fort Bliss, White Sands Missile Range, and eight Navy bases. We are also in exclusive negotiations with the Department of the Army for its Fort Gordon project, covering the Fort Gordon base located near Augusta, Georgia. These exclusive negotiations typically last six to 12 months and culminate in final approval from Congress and the applicable U.S. military branch and the execution of definitive agreements relating to the terms of the project. In addition, we are currently in the solicitation process with the Air Force for a military housing privatization project that is expected to cover four bases and in excess of 2,000 end-state housing units.

Each of these military housing privatization projects includes the renovation and management of existing housing units, as well as the development, construction and management of new units, over a 50-year period, which, with respect to the Army projects, potentially could be extended for up to an additional 25 years. The 50-year duration of each project calls for continuing renovation, rehabilitation, demolition and reconstruction of housing units through various predetermined project phases. We earn, throughout the term of the project, standard and incentive-based management fees, which typically total up to 4.5% of a project's revenues derived from the U.S. military's Basic Allowance for Housing, or BAH, and construction/renovation and development fees, each of which typically equals up to 4% of a project's total cost of construction/renovation and development, respectively. BAH is the cost of living stipend distributed monthly by the DoD to members of the U.S. military to cover their and their families' costs of living (i.e., rent and utility expenses) in privately-owned housing, on or near bases. The intent of BAH is to provide members of the U.S. military equivalent and equitable housing compensation based upon the market prices of rental housing in the local housing markets surrounding U.S. military bases. In addition, through our joint venture, in connection with each military housing privatization project, we will earn, subsequent to the initial development period for such project, as described below, an annual return ranging from 11% to 17% on our equity contribution to the project.

Including the Fort Gordon project, which we currently have under exclusive negotiation, we expect that our management agreements for our current privatization projects will provide us with the opportunity to manage 16,744 housing units on 19 bases in 11 states and Washington, DC, including 7,501 units we plan to construct and 7,044 units we plan to renovate. We also believe that we are one of the largest private-sector managers of military housing units in the U.S., based on the number of

military housing units and the number of projects awarded to date. At each of the projects we managed as of July 31, 2005, the following numbers of units were in operation: Fort Stewart and Hunter Army Airfield 3,005 units, Fort Carson 2,663 units, Fort Hamilton 244 units, Walter Reed/Fort Detrick 295 units, Fort Eustis/Fort Story 1,080 units, Fort Bliss/White Sands Missile Range 3,011 units and Navy Northeast Region 4,707 units.

Some of the bases included in our military housing privatization projects have been targeted for closure or realignment in the current round of the Base Realignment and Closure, or BRAC, process, which was initiated in 1988 and is now in the midst of its fifth and final round. This round of BRAC is targeted for completion in the fourth quarter of 2005, when the final list of additional bases recommended for realignment or closure is expected to become effective. The initial list of closures and realignments for this round was released by the DoD in May 2005. This initial list led us to conclude that BRAC could have affected up to approximately 2,500 housing units at the Submarine Base in New London, Connecticut, Portsmouth Naval Shipyard in Kittery, Maine, and the Naval Air Station in Brunswick, Maine. Recent revisions to the bases targeted for closure or realignment have resulted in the removal of several bases from the list, including the Submarine Base in New London, Connecticut and the Portsmouth Naval Shipyard in Kittery, Maine. We now believe that the number of housing units that may be affected by BRAC at our military housing privatization projects has been reduced to approximately 700. The BRAC Commission also proposed a less significant realignment at the Fort Eustis base under our Fort Eustis/Fort Story project in Newport News, Virginia than was proposed by the DoD. Finally, the BRAC Commission voted to uphold the DoD recommendation to close the Walter Reed Army Medical Center in Washington, DC. We believe that the closure of Walter Reed will not result in the loss of housing units, as these housing units are likely to be utilized by personnel who will be relocated from serving at Walter Reed to serving at nearby military medical facilities.

The following table provides a summary of the terms of each military housing privatization project in which we own an interest or have an exclusive negotiation right. We cannot provide any assurance

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that we will close our investment in the project with respect to which we have an exclusive negotiation right.

| Project Name                                                | Location                                                                                                                                       | Initial Development Period <sup>(1)</sup> | Initial Development Period Expected Completion Date | Initial Development Period Project Costs <sup>(2)</sup> | Initial Development Period Project Costs Expended <sup>(3)</sup> | Expected End-State Housing Units at Initial Development Period Completion Date        |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>In Operation:</b>                                        |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  |                                                                                       |
| Fort Stewart and Hunter Army Airfield                       | Hinesville, GA<br>Savannah, GA                                                                                                                 | 8 years                                   | October 2011                                        | \$ 353.4 million                                        | \$ 161.8 million                                                 | new units<br>renovated<br>1,868 units<br>1,597 existing<br>237 units <sup>(4)</sup>   |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>3,702</b>                                                                          |
| Fort Carson <sup>(5)</sup>                                  | Colorado Springs, CO                                                                                                                           | 5 years                                   | Completed                                           | Completed                                               | Completed                                                        | new units<br>renovated<br>840 units<br>1,823 units                                    |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>2,663</b>                                                                          |
| Fort Hamilton                                               | Brooklyn, NY                                                                                                                                   | 3 years                                   | May 2007                                            | 59.8 million                                            | 28.3 million                                                     | new units<br>renovated<br>185 units<br>43 units                                       |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>228</b>                                                                            |
| Walter Reed Army Medical Center/Fort Detrick <sup>(6)</sup> | Washington, DC<br>Frederick, MD                                                                                                                | 4 years                                   | June 2008                                           | 96.3 million                                            | 40.9 million                                                     | new units<br>renovated<br>407 units<br>156 existing<br>36 units <sup>(4)</sup>        |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>599</b>                                                                            |
| Fort Eustis/Fort Story <sup>(7)</sup>                       | Newport News, VA<br>Virginia Beach, VA                                                                                                         | 6 years                                   | February 2011                                       | 167.6 million                                           | 20.9 million                                                     | new units<br>renovated<br>651 units<br>473 units                                      |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>1,124</b>                                                                          |
| Fort Bliss/White Sands Missile Range                        | El Paso, TX<br>White Sands, NM                                                                                                                 | 6 years                                   | June 2011                                           | 445.9 million                                           | (8)                                                              | new units<br>renovated<br>1,959 units<br>1,178 existing<br>140 units <sup>(4)</sup>   |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>3,277</b>                                                                          |
| Navy Northeast Region                                       | Brunswick, ME;<br>Kittery, ME;<br>Newport, RI;<br>Groton, CT;<br>Saratoga Springs, NY;<br>Long Island, NY;<br>Colts Neck, NJ;<br>Lakehurst, NJ | 6 years                                   | October 2010                                        | 612.6 million                                           | 70.1 million                                                     | new units<br>renovated<br>1,251 units<br>1,227 existing<br>1,786 units <sup>(4)</sup> |
|                                                             |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  | <b>4,264</b>                                                                          |
| <b>Under Exclusive Negotiation:</b>                         |                                                                                                                                                |                                           |                                                     |                                                         |                                                                  |                                                                                       |
| Fort Gordon                                                 | Augusta, GA                                                                                                                                    | 6 years                                   | (9)                                                 | 101.6 million                                           | (9)                                                              | new units<br>renovated<br>340 units<br>547 units                                      |

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| Project Name | Location | Initial<br>Development<br>Period <sup>(1)</sup> | Initial<br>Development<br>Period Expected<br>Completion<br>Date | Initial<br>Development<br>Period Project<br>Costs <sup>(2)</sup> | Initial<br>Development<br>Period Project<br>Costs<br>Expended <sup>(3)</sup> | Expected<br>End-State<br>Housing<br>Units at Initial<br>Development Period<br>Completion Date |
|--------------|----------|-------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|              |          |                                                 |                                                                 |                                                                  |                                                                              | 887                                                                                           |
| <b>Total</b> |          |                                                 |                                                                 | <b>\$ 1,837.2 million</b>                                        | <b>\$ 322.0 million</b>                                                      | <b>16,744</b>                                                                                 |

(1) The first phase of the project, known as the initial development period, covers the period of initial construction or renovation of military housing on a base, typically lasting three to eight years.

(2) Represents estimated total project costs for the initial development period, including closing, development, construction, financing and related costs.

(3) As of June 30, 2005.

(4) These units will not be renovated during the initial development period.

(5) The Fort Carson project was purchased out of unrelated bankruptcy proceedings instituted by an affiliate of the J.A. Jones Corporation.

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- (6) These two bases were awarded separately and subsequently combined into one privatization project. Walter Reed has been designated for closure under BRAC. We believe that the closure will not result in the loss of housing units, as these housing units are likely to be utilized by personnel who will be relocated from serving at Walter Reed to serving at nearby military medical facilities.
- (7) The initial development period began in March 2005 upon the completion of the project financing.
- (8) Project financing was obtained, and the initial development period began, in July 2005.
- (9) This project is expected to close and the initial development period to begin in the second quarter of 2006.

### **Strategy**

*Selective Growth.* By leveraging the substantial industry experience of our management team, we focus on winning military housing privatization projects on which we selectively choose to bid, based on the strategic importance of the base, and the prime location and profit potential for these projects.

*Committed to Superior Management.* In the performance of our obligations under existing military housing privatization projects, our management team has been and will continue to be fully committed to ensuring that members of the U.S. military and their families have high quality, safe, attractive and affordable housing.

*Capitalize on Industry Relationships.* Our management team has developed relationships with nationally recognized firms, notably The Benham Companies and Centex Construction Company, Inc., that specialize in residential and military residence community formation and construction. We believe that the retention of highly experienced and nationally recognized companies will provide us with significant competitive advantages in pursuing and winning new privatization projects.

*Acquire Existing Military Housing Privatization Projects.* We will consider using our financial strength and management's experience to acquire competitors or the military housing privatization projects that have been awarded to them. As the number of new privatization projects grows, we believe our potential to acquire these projects for additional bases will grow correspondingly.

### **Market Opportunity**

As of August 22, 2005, according to information made available by the DoD, the remaining military family housing privatization market contains 63,566 housing units to be privatized through 49 additional projects. Although the DoD's program has focused its efforts almost exclusively on the privatization of family housing, we believe, based on discussions between our senior management team and representatives of the DoD, the next stage of development will include the privatization of housing for unaccompanied military personnel, referred to as unaccompanied personnel housing. According to an audit report of the DoD Inspector General, dated August 1999, approximately 556,000 military housing units constitute the unaccompanied housing units. Given our management's experience in bidding on military housing privatization projects, coupled with its extensive student housing experience, we believe that we will have significant competitive advantages in bidding for privatization projects in the unaccompanied housing market, which we expect to translate into our ability to be awarded a significant share of future privatization projects.

### **Additional Investments and Development Opportunities Under Review**

#### ***Student Housing Business***

In addition to the properties that we have under agreement and non-binding letter of intent, our management team, as of September 2, 2005, has identified for review more than 30 additional student housing properties, valued at approximately \$766.0 million in the aggregate, with individual transactions ranging from approximately \$5.5 million to \$83.0 million. These potential transactions include properties containing an aggregate of approximately 6,500 units and approximately 17,300 beds. We

consider an investment as "under review" when we have signed a confidentiality agreement, exchanged financial information or when we or our advisors are in current and active negotiations. After further due diligence, we may decide not to pursue any of these transactions.

### ***Military Housing Business***

In addition to the military housing privatization projects for which we have been selected and the Air Force project for which we are in the solicitation process, as of the date of this prospectus, we had an outstanding bid on a military housing project covering one base with approximately 2,500 housing units. Our management team also had under review, as of September 19, 2005, eight additional potential privatization project opportunities. These projects span multiple bases and total, in the aggregate, approximately 22,300 housing units. Individual projects identified as opportunities range from approximately 500 units to 7,000 units per project. We consider a project as "under review" once a base has been identified by the U.S. military for privatization and our management begins initial due diligence and evaluation of the economic and strategic value of the project. After further due diligence, we may decide not to pursue any of these potential privatization projects.

### **Competitive Advantages**

We believe that our business strategy and operating model distinguish us from other owners, operators and acquirors of real estate in a number of ways, including:

*Niche focus with large markets.* The student housing and military housing businesses provide opportunities for us to capitalize on large, stable markets. Our management estimates that the 5.3 million bed off-campus student housing market is valued at approximately \$159 billion and growing. Further, over the next four years, we expect the DoD to award 49 military family housing privatization projects, generating total annual rental revenue of approximately \$880.0 million. The potential market for unaccompanied military housing is estimated by our management to generate approximately \$4.7 billion in total annual rental revenue. We believe that we are well-positioned to capitalize on the highly fragmented off-campus student housing market and to leverage our military housing experience and complementary student housing skill set to compete for military housing privatization projects.

*High quality assets/management services.*

*Student housing.* We believe our student housing properties are modern, state-of-the-art and tailored to the "student lifestyle." The typical design layout of a housing unit consists of one to four bedrooms, with a complementary number of bathrooms, centered around a common area. Typically, we lease our units by the bed as a way of attracting student residents and maximizing our revenue per unit. We strive to create an attractive environment for our residents by providing lighted parking lots, a streamlined bill-payment system and 24-hour maintenance and emergency services.

*Military housing.* We have established relationships with nationally recognized firms specializing in residential and military residence design and construction to provide high quality housing and construction services when bidding on projects. We also strive to create not just a home, but an efficient community centered around the military lifestyle. In the performance of obligations under existing projects, we have been committed to ensuring that members of the U.S. military and their families have high quality, safe, attractive and affordable housing. Our management's expertise in community management provides military personnel with an efficient and timely platform to report and service maintenance requests as well as a convenient turnover process that guarantees the availability of homes within a short period of time.

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*Consistent and high quality revenue.*

*Student Housing.* Student housing properties that we currently own had an average occupancy rate of approximately 97% for the 2005/2006 academic year as of September 13, 2005. More than 90% of our student housing leases have multiple signatories (students and their guarantor-parents) and are leased on a standard 12-month basis.

*Military Housing.* Our military housing business generates stable, long-term cash flow with a small capital investment. Military housing privatization projects are long-term in nature, typically carrying a ground lease term of 50 years. The primary source of revenue under the military housing privatization projects is the BAH, which is the cost-of-living stipend distributed monthly by the DoD to members of the U.S. military and which is distributed directly by the U.S. government.

*Market leadership in off-campus student and military housing.* We are one of the largest providers of off-campus student housing in the U.S., with 51 student housing properties comprising approximately 30,755 beds in 24 states as of September 19, 2005. Our military housing group has won more than 40% of the privatization projects on which it has bid (including those projects for which the right to exclusive negotiations has been awarded) and has been awarded more bases to date than any other provider of military housing.

*Experienced management team/strong relationships.* The top three members of our management team have an average of 25 years of individual experience in the student and military housing businesses and the commercial real estate industry and, during that time, have been involved in real estate transactions valued at over \$5.0 billion. We have built extensive and strong relationships in both the student housing and military housing industries. We seek to utilize these relationships and the experience of our management team to pursue selected properties in the student housing market and to win the more attractive military housing privatization projects. See "*Our Business and Properties Management Team*" for more information about our management team.

### Summary Risk Factors

You should carefully consider the matters discussed in "*Risk Factors*" prior to deciding whether to invest in our common shares. Some of these risks include:

we commenced operations through our operating partnership in July 2004, have a limited history of operating and owning our student housing properties and military housing privatization projects, and therefore may have difficulty successfully and profitably operating our business;

we have experienced, and expect to continue to experience, rapid growth in our student housing and military housing businesses and may not be able to adapt our management and operational systems to respond to the acquisition and integration of additional properties and privatization projects without unanticipated disruption or expense;

since our initial public offering, our cash flow from operations has been insufficient to fund our distributions to our shareholders, and we expect it to continue to be so in the near term. Therefore, we expect to borrow funds in order to make these distributions;

certain military bases for which we own and operate a military housing privatization project have been recommended for reduction of troops or closure under the Base Realignment and Closure, or BRAC, regulations, and additional military bases may be targeted prior to the expected adoption of the final BRAC list in the fourth quarter of 2005. If military bases under any of our military housing privatization projects are included on the final list, our operating revenues from these projects and the value of our equity interest in the projects may be reduced, and our overall military housing segment revenues could be adversely affected;

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we expect our real estate investments to continue to be concentrated in student housing and military housing, making us more vulnerable to economic downturns in these housing markets than if our investments were diversified across several industry or property types;

our management has limited prior experience operating a REIT or a public company and, in order to manage our growth, we believe it will be necessary to hire additional personnel. These limitations may impede the ability of our management to execute our business plan successfully and operate our business profitably;

virtually all of our student housing leases, which typically have a 12-month lease term, become subject to renewal with existing student residents or lease-up with new student residents during July and August of each year, which coincides with the start of the academic year at most colleges and universities. If we are unable to renew or lease-up our student housing properties prior to the start of the academic year, our chances of leasing these properties during subsequent months is reduced, and correspondingly, our rents and operating results will be adversely affected;

we rely on key partners and contractors in connection with the construction and development of our military housing privatization projects, and our inability to maintain these relationships or to engage new partners or subcontractors under commercially acceptable terms to us could impair our ability to successfully complete the construction and development of our military housing privatization projects and to obtain new military housing privatization projects;

we are subject to the risks associated with conducting business with the federal government, such as the government's discontinuation of federal funding for some or all of its military housing privatization projects and the need to win new military housing privatization projects through a competitive bidding process;

if Congress does not approve appropriations each year relating to the provision of the BAH paid to members of the U.S. military, which is the primary source of rental revenues under our military housing privatization projects, or if BAH were eliminated, our operating revenues and projected returns on investments from our military housing privatization projects would be significantly reduced;

our debt service obligations may have a negative impact on our ability to make dividend distributions to our shareholders, pursue our business plan and maintain our REIT status, and our management and board of trustees have discretion to increase the amount of our outstanding debt at any time without approval of our shareholders;

if we were to default on our secured debt or debt under our credit facility in the future, the loss of any property securing the debt could adversely affect our business or result in the debt under our credit facility being immediately due and payable;

we face significant competition from university-owned on-campus student housing, from other off-campus student housing properties and from traditional multi-family housing located near colleges and universities;

Gary M. Holloway, Sr., our president, chief executive officer and chairman of our board of trustees, may have conflicts of interest as a result of his ownership of an entity that provides services to us, leases space from us and to which we will provide property management consulting services;

our executive officers and certain of our trustees may have conflicts of interest in connection with their ownership of limited partnership units in our operating partnership;

certain of our executive officers and trustees may have conflicts of interest as a result of their profits interests in a student housing property for which we provide consulting services and in which Gary M. Holloway, Sr. owns a 20% interest;

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one of our trustees may have a conflict of interest as a result of his affiliation with Vornado Realty Trust, one of our largest shareholders on a fully-diluted basis; and

one of our trustees may have a conflict of interest as a result of his affiliation with one of our lenders.

**Company Diagram**

The following chart depicts our ownership structure as of September 19, 2005.

- 
- (1) Includes units of limited partnership interest in our operating partnership held by Vornado Realty L.P., the operating partnership of Vornado Realty Trust, and by Vornado CCA Gainesville, LLC, an affiliate of Vornado Realty L.P. that contributed interests in a student housing property to our operating partnership in connection with our formation transactions. The percentage does not include up to an additional 5,762,694 units of limited partnership interest in our operating partnership or common shares of GMH Communities Trust that may be purchased by Vornado Realty L.P. upon exercise of a warrant through May 2, 2006.
- (2) Our military housing properties are owned through joint ventures in which we typically own a 10% interest. See "*Our Business and Properties Military Housing Business Organizational Structure of Our Military Housing Privatization Projects.*"

## Our Structure

We conduct our business through a traditional UPREIT structure, consisting of our operating partnership, GMH Communities, LP, and limited partnerships, limited liability companies or other subsidiaries of our operating partnership. Through a wholly owned subsidiary, we own the sole general partnership interest, and as of September 19, 2005, 48.0% of the limited partnership interests, in our operating partnership. Our operating partnership holds, through various limited partnerships, limited liability companies and other subsidiaries, the property interests, contract rights and other tangible and intangible assets of our student and military housing businesses.

We were organized as a Maryland real estate investment trust on May 28, 2004 to succeed to the student and military housing businesses of GMH Associates. Gary M. Holloway, Sr. owned directly or indirectly 100% of the equity interests in GMH Associates, other than certain profits interests that Mr. Holloway previously awarded to certain officers and key employees, which entitled such persons to a percentage of Mr. Holloway's gain on the sale of the student and military housing businesses owned by him and that were contributed to our operating partnership. Upon completion of our initial public offering, we became, through a wholly owned subsidiary, the sole general partner of GMH Communities, LP, our operating partnership.

Our operating partnership was initially formed on May 21, 2004, commenced operations on July 27, 2004 and, prior to completion of our initial public offering, operated as a joint venture between entities directly and indirectly owned by Mr. Holloway and entities indirectly owned by Vornado Realty L.P., the operating partnership of Vornado Realty Trust. In connection with our acquisition of limited partnership interests and all of the general partnership interests in our operating partnership upon completion of our initial public offering, we used a portion of the net proceeds from the initial public offering to redeem all of Vornado's outstanding general and limited partnership interests in our operating partnership. Our various transactions with Vornado prior to and simultaneously with our initial public offering are described in more detail under the section of this prospectus titled "*Our Business and Properties Our Agreements with Vornado Realty Trust and its Affiliates Restrict Our Activities.*"

In the future, our operating partnership may issue limited partnership units to third parties from time to time in connection with property acquisitions or developments. Holders of limited partnership units of our operating partnership, other than us, are, after a one-year holding period, subject to earlier redemption in certain circumstances, able to redeem their limited partnership units for our common shares on a one-for-one basis, subject to adjustments for share splits, dividends, recapitalizations and similar events. In connection with our formation transactions, we agreed to permit Vornado to redeem its limited partnership interests acquired upon exercise of its warrant beginning six months from the completion of our initial public offering. At our option, in lieu of issuing common shares upon redemption of limited partnership units, we may pay holders of units a cash amount equal to the then-current value of our common shares, except that Gary M. Holloway, Sr. has the right to direct us to issue common shares upon redemption of limited partnership units that he or his affiliates own. Holders of limited partnership units will receive distributions equivalent to the dividends we pay to holders of our common shares, but holders of limited partnership units will have no voting rights, except in certain limited circumstances. As the sole owner of the general partner of our operating partnership, we have the exclusive power to manage and conduct our operating partnership's business, subject to the limitations described in the partnership agreement of our operating partnership. See "*Partnership Agreement.*"

### ***Issuance of Warrant to Vornado***

In connection with its investment in our operating partnership, Vornado also purchased for \$1.0 million a warrant to acquire, at its option, a number of units of limited partnership interest in our

operating partnership, common shares of GMH Communities Trust or a combination of both representing a 38.264% economic interest in our operating partnership or GMH Communities Trust, as the case may be, measured immediately prior to our initial public offering.

Upon closing of our initial public offering, Vornado exercised a portion of the warrant to purchase 6,666,667 units of limited partnership interest in our operating partnership for \$7.50 per unit, which represented a 20.972% economic interest in our operating partnership immediately prior to the offering. In addition, at any time through May 2, 2006, Vornado may exercise the remaining portion of the warrant for up to 5,762,694 operating partnership units or common shares at a price per unit or common share of \$8.68. The warrant is transferable, and we have agreed to register for resale the common shares issuable upon exercise of the warrant. See "*Shares Eligible for Future Sale Registration Rights.*"

During the period in which it may be exercised, Vornado is entitled to broad anti-dilution rights under the terms of the warrant. Among other things, these rights entitle Vornado, or any other permitted transferees of the warrant, to anti-dilution protection in the case of issuances by GMH Communities Trust or our operating partnership of equity securities at a price below the greater of (i) the fair market value of such securities, and (ii) the then applicable exercise price of the warrant, as well as in the case of payments by GMH Communities Trust or our operating partnership of distributions on equity securities, in cash or otherwise, including our regular quarterly distributions; however, certain limited issuances of equity securities under our equity incentive plan will be excluded from this anti-dilution protection. In the event that the anti-dilution provisions of the warrant are triggered, the then effective exercise price of the warrant, and in certain circumstances the number of common shares or units of limited partnership interest in our operating partnership for which it may be exercised, will be adjusted for the dilution to the warrant holder as a result of these issuances and distributions.

### Conflicts of Interest

As of September 19, 2005, Mr. Holloway owned a 27.4% limited partnership interest in our operating partnership and certain other members of our management team collectively owned a 2.8% limited partnership interest in our operating partnership. Conflicts may arise when the interests of our shareholders and the interests of the limited partners in our operating partnership diverge, such as upon the sale or refinancing of properties held by our operating partnership that were contributed by our limited partners in exchange for their limited partnership interests. In those cases, the tax consequences may be adverse to the limited partners in our operating partnership, making the sale or refinancing less attractive to the limited partners than to us and our shareholders. Because Mr. Holloway and other members of our board of trustees and senior management team have a duty to our shareholders, they also could experience conflicts of interest between these duties to us and our shareholders and their personal interests as limited partners of our operating partnership. In addition, Mr. Holloway has an ownership interest in an entity that we did not acquire in our formation transactions, and which entity leases space in our corporate headquarters property. Accordingly, Mr. Holloway may have a conflict of interest by virtue of his interest in this entity.

In addition, Mr. Holloway has a 20% ownership interest in one of the student housing properties for which we provide consulting services, and, accordingly, Mr. Holloway may have a conflict of interest by virtue of his interest in this property. Certain of our executive officers and certain of their affiliates have profits interests in the gain, if any, realized on the sale of this property, and thus will have conflicts of interest by virtue of their profits interests in this property.

Michael D. Fascitelli, one of our trustees, is the president and a member of the board of trustees of Vornado Realty Trust. As of September 19, 2005, Vornado Realty L.P., the operating partnership of Vornado Realty Trust, owned 6,666,667 units of limited partnership in our operating partnership, which

were acquired pursuant to a warrant issued in connection with our formation transactions. As of September 19, 2005, Vornado also had the right to purchase up to an additional 5,762,694 units of limited partnership interest or common shares of GMH Communities Trust under the warrant through May 2, 2006. For a description of our transactions with Vornado prior to, and in connection with, our initial public offering, including the issuance of and terms of this warrant, see "*Our Business and Properties Our Agreements with Vornado Realty Trust and its Affiliates Restrict Our Activities.*" Vornado CCA Gainesville, LLC, an affiliate of Vornado Realty L.P., also owns 671,190 units of limited partnership interest in our operating partnership, which were issued in connection with the contribution of an interest in a student housing property to our operating partnership at the time of our initial public offering. Mr. Fascitelli was elected to our board of trustees on August 10, 2005, pursuant to Vornado's right to designate him for election under the terms of the warrant. See "*Management Corporate Governance Board of Trustees and Committees.*" As a result of Vornado's ownership interests in us, Mr. Fascitelli could experience conflicts of interest between his duties to us and our shareholders and his duties to Vornado and its shareholders.

See "*Certain Relationships and Related Party Transactions*" for a more detailed description of these conflicts of interest.

### **Registration Rights**

In connection with the issuance of a warrant to Vornado as part of our formation transactions and the contribution of other assets by Vornado and FW Military Housing, LLC to us in connection with our initial public offering, we have agreed to register for resale the common shares issuable in connection with exercise of the warrant, the other units that were issued to an affiliate of Vornado upon its contribution of interests in a student housing property to our operating partnership at our initial public offering and the units that were issued to FW Military Housing, LLC upon its contribution of interests in a military housing project to our operating partnership at our initial public offering. For additional information regarding the terms of these registration rights, see "*Shares Eligible for Future Sale Registration Rights.*" In addition, we have agreed to register for resale the common shares issuable upon redemption of units of limited partnership interest in our operating partnership in accordance with the registration rights included in the agreement of limited partnership interest for our operating partnership.

### **Restrictions on Ownership of Our Common Shares**

Our declaration of trust generally prohibits any shareholder, other than Mr. Holloway, certain persons related to Mr. Holloway, Steven Roth, who is the chairman and chief executive officer of Vornado Realty Trust, certain persons related to him, Vornado Realty L.P., certain persons related to Vornado Realty L.P. and certain transferees or assignees of Vornado Realty L.P. or related persons, from beneficially or constructively owning more than 7.1% of our outstanding common shares. Our declaration of trust provides that a person will not be subject to the ownership limits if such person has provided the board of trustees with such representations and evidence, and has entered into such agreements and undertakings, as are satisfactory to the board of trustees, in its reasonable discretion, to establish that (i) such person is entitled to the "look-through" treatment with respect to the REIT requirement that not more than 50% of the value of our shares may be owned, directly, indirectly or under applicable attribution rules, by five or fewer individuals (as defined to include certain entities), (ii) such person's direct, indirect or constructive ownership of interests in our direct or indirect tenants will not adversely affect our ability to qualify as a REIT, (iii) such person's direct, indirect or constructive ownership of our shares will not adversely affect our ability to qualify as a REIT and (iv) such person has agreed that shares directly, indirectly or constructively owned by such person in excess of 7.1% of our common shares (as determined by reference to number or value, whichever is more restrictive) or 7.1% of our outstanding shares (as determined by reference to value) will

automatically be transferred to a charitable trust as necessary to prevent ownership in excess of those levels from adversely affecting our ability to qualify as a REIT. The exemption described in the preceding sentence will automatically cease to apply in the event that such person is or becomes ineligible for the "look-through" treatment described in the preceding sentence and will not prevent the application of the provisions in the declaration of trust relating to ownership of shares in excess of the ownership limitations to shares owned by the person granted an exemption where another person treated under applicable attribution rules as owning shares owned by the person granted an exemption owns, directly, indirectly or under the applicable attribution rules, shares in excess of the ownership limitation applicable to such other person. The board of trustees may grant other exemptions from the ownership limitations in certain circumstances. Mr. Holloway and certain related persons are prohibited from owning more than 20% of our outstanding common shares and Steven Roth and certain persons related to him are prohibited from owning more than 8.5% of our outstanding common shares. See "*Description of Shares Restrictions on Ownership and Transfer*."

### **Dividend Policy**

We intend to distribute to our shareholders each year all or substantially all of our REIT taxable income so as to avoid paying corporate income tax and excise tax on our earnings and to qualify for the tax benefits afforded to REITs under the Code. The actual amount and timing of distributions, if any, will be at the discretion of our board of trustees and will depend upon our actual results of operations and a number of other factors discussed in "*Price Range of Common Shares and Dividend Policy*," including:

the rent received from our student residents and the ability of our student residents to meet their obligations under our leases;

the amount of revenues received in connection with our military housing privatization projects;

the consulting and management fees received with respect to student housing properties owned by others;

our debt service obligations; and

our operating expenses.

We cannot assure you that we will have cash available for distributions. See "*Risk Factors*."

On August 31, 2005, our board of trustees declared our third quarter dividend of \$0.2275 per common share, payable on October 14, 2005 to shareholders of record as of the close of business on September 22, 2005.

### **Our Principal Office**

Our principal executive offices are located at 10 Campus Boulevard, Newtown Square, Pennsylvania 19073. Our telephone number is (610) 355-8000. Our Internet address is [www.gmhcommunities.com](http://www.gmhcommunities.com). Our Internet web site and the information contained therein or connected thereto do not constitute a part of this prospectus.

### The Offering

|                                                                                              |                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Common shares offered by us                                                                  | 6,750,000 shares <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                         |
| Common shares and operating partnership units expected to be outstanding after this offering | 37,130,217 shares and 31,627,317 units <sup>(2)</sup>                                                                                                                                                                                                                                                                                                                   |
| Use of proceeds                                                                              | We intend to use all of the net proceeds from this offering of approximately \$93.4 million (\$107.7 million if the underwriters exercise in full their over-allotment option), after deducting the underwriters' discount and the estimated expenses we expect to incur in connection with this offering, to repay outstanding indebtedness under our credit facility. |
| NYSE symbol                                                                                  | GCT                                                                                                                                                                                                                                                                                                                                                                     |
| Risk factors                                                                                 | See " <i>Risk Factors</i> " and other information included in this prospectus for a discussion of factors you should consider carefully before deciding whether to invest in our common shares.                                                                                                                                                                         |

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(1) Includes approximately 135,000 common shares to be sold in this offering and reserved for sale by us directly to our trustees, employees, business associates and other related persons through a directed share program at the offering price.

(2) If the underwriters' over-allotment option is exercised in full, the number of common shares outstanding upon completion of this offering will be 38,142,717. The number of operating partnership units presented excludes units held by GMH Communities Trust.

### Summary Financial Data

The summary financial data presented below under the captions "*Operating Data*" and "*Balance Sheet Data*" as of December 31, 2004, and for the period November 2, 2004 to December 31, 2004, was derived from the consolidated financial statements of GMH Communities Trust and its subsidiaries. The summary financial data presented below under the captions "*Operating Data*" for each of the three years in the period ended December 31, 2003, and for the period January 1, 2004 to November 2, 2004 and "*Balance Sheet Data*" as of December 31, 2003 and 2002, was derived from the combined financial statements of College Park Management, Inc., GMH Military Housing, LLC and its wholly owned subsidiaries, 353 Associates, LP and Corporate Flight Services, LLC, collectively referred to with our operating partnership as our predecessor entities and presented elsewhere in this prospectus as the financial statements of The GMH Predecessor Entities. The summary financial data presented below under the captions "*Operating Data*" and "*Balance Sheet Data*" as of and for the six months ended June 30, 2005 and 2004 was derived from the unaudited financial statements of GMH Communities Trust and our predecessor entities, respectively, and include all adjustments of a normal recurring nature that we consider necessary for a fair presentation of our financial condition and results of operations as of those dates and for those periods under generally accepted accounting principles. The unaudited pro forma financial information presented below under the captions "*Operating Data*" and "*Balance Sheet Data*" as of and for the six months ended June 30, 2005, and for the year ended December 31, 2004, was derived from our audited and unaudited financial statements and those of our predecessor entities and are presented as if this offering and the application of the net proceeds from this offering had all occurred on June 30, 2005 for the pro forma balance sheet information and first day of the earliest period presented for the pro forma operating information. The unaudited pro forma financial information does not assume the purchase of the student housing properties for which we have a non-binding letter of intent to acquire, as we have not yet completed our due diligence investigation and, thus, have not determined that they are probable. The summary financial data presented below under the captions "*Operating Data*" for the year ended December 31, 2000 and "*Balance Sheet Data*" as of December 31, 2001 and 2000 was derived from the unaudited combined financial statements of our predecessor entities and includes adjustments, consisting of a normal recurring nature that we consider necessary for a fair presentation of our financial condition and results of operations as of those dates and for those periods under generally accepted accounting principles.

The historical financial information for GMH Communities Trust or our predecessor entities included herein and set forth elsewhere in this prospectus are not necessarily indicative of our future performance. In addition, since the information presented below is only a summary and does not provide all of the information contained in our financial statements and those of our predecessor entities, including related notes, you should read "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," the financial statements, including related notes and "*Unaudited Pro Forma Financial Information*," each contained elsewhere in this prospectus. Pro forma information has been compiled from historical financial and other information, but does not purport to represent what our financial position or results of operations actually would have been had the transactions occurred on the dates indicated, or to project our financial performance for any future period.

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| For the<br>Six Months Ended<br>June 30,                                                                |                 |                                 | For the<br>Year Ended December 31, |                                |           |         |        |        |        |
|--------------------------------------------------------------------------------------------------------|-----------------|---------------------------------|------------------------------------|--------------------------------|-----------|---------|--------|--------|--------|
|                                                                                                        |                 |                                 | Predecessor Entities               |                                |           |         |        |        |        |
| Pro Forma<br>2005                                                                                      | Company<br>2005 | Predecessor<br>Entities<br>2004 | Pro Forma<br>2004 <sup>(1)</sup>   | Company<br>2004 <sup>(1)</sup> |           | 2003    | 2002   | 2001   | 2000   |
| (dollars in thousands)                                                                                 |                 |                                 |                                    |                                |           |         |        |        |        |
| <b>Operating Data:</b>                                                                                 |                 |                                 |                                    |                                |           |         |        |        |        |
| Revenue:                                                                                               |                 |                                 |                                    |                                |           |         |        |        |        |
| Rent and other property income                                                                         | \$ 76,031       | \$ 55,676                       | \$ 270                             | \$ 133,444                     | \$ 25,650 | \$ 636  | \$ 736 | \$ 725 | \$ 732 |
| Expense reimbursements:                                                                                |                 |                                 |                                    |                                |           |         |        |        |        |
| Related party                                                                                          | 21,590          | 21,732                          | 8,256                              | 31,795                         | 33,309    | 3,273   | 249    | 90     |        |
| Third party                                                                                            | 2,577           | 2,577                           | 3,280                              | 6,992                          | 7,203     | 7,318   | 3,462  | 2,902  | 36     |
| Management fees:                                                                                       |                 |                                 |                                    |                                |           |         |        |        |        |
| Related party                                                                                          | 3,410           | 3,513                           | 2,185                              | 3,442                          | 4,355     | 3,892   | 6,578  | 7,426  | 5,521  |
| Third party                                                                                            | 1,651           | 1,651                           | 3,320                              | 3,913                          | 3,986     | 2,624   | 1,983  | 1,291  | 440    |
| Other fee income related party                                                                         | 7,543           | 7,543                           | 1,211                              | 9,143                          | 8,460     | 842     | 372    | 432    |        |
| Other income                                                                                           | 133             | 133                             | 90                                 | 887                            | 915       | 230     | 295    | 202    | 69     |
| Total revenue                                                                                          | 112,935         | 92,825                          | 18,612                             | 189,616                        | 83,878    | 18,815  | 13,675 | 13,068 | 6,798  |
| Expenses:                                                                                              |                 |                                 |                                    |                                |           |         |        |        |        |
| Property operating expenses                                                                            | 29,890          | 22,594                          | 5,620                              | 65,015                         | 22,755    | 9,218   | 7,799  | 5,173  | 129    |
| Reimbursed expenses                                                                                    | 24,167          | 24,309                          | 11,536                             | 38,787                         | 40,512    | 10,591  | 3,711  | 2,992  | 36     |
| Real estate taxes                                                                                      | 6,033           | 4,575                           | 43                                 | 10,517                         | 1,887     | 83      | 79     | 29     |        |
| Administrative expenses                                                                                | 5,673           | 5,673                           | 697                                | 10,752                         | 4,439     | 1,405   | 295    | 688    | 360    |
| Profit interests and employee initial public offering bonus expense                                    |                 |                                 |                                    |                                | 37,502    |         |        |        |        |
| Depreciation and amortization                                                                          | 22,358          | 14,844                          | 418                                | 39,886                         | 7,154     | 822     | 821    | 814    | 83     |
| Interest                                                                                               | 18,270          | 12,247                          | 157                                | 35,567                         | 6,072     | 396     | 542    | 814    | 365    |
| Total operating expenses                                                                               | 106,391         | 84,242                          | 18,471                             | 200,524                        | 120,321   | 22,515  | 13,247 | 10,510 | 973    |
| Income (loss) before equity in earnings of unconsolidated entities, minority interest and income taxes | 6,544           | 8,583                           | 141                                | (10,908)                       | (36,443)  | (3,700) | 428    | 2,558  | 5,825  |
| Equity in earnings of unconsolidated entities                                                          |                 |                                 |                                    |                                |           | 751     |        |        |        |
| Income (loss) before minority interest and income taxes                                                | 6,544           | 8,583                           | 141                                | (10,908)                       | (36,443)  | (2,949) | 428    | 2,558  | 5,825  |
| Minority interest                                                                                      | 3,949           | 4,263                           |                                    | (5,020)                        | 247       |         |        |        |        |
| Income (loss) before income taxes                                                                      | 2,595           | 4,320                           | 141                                | (5,888)                        | (36,690)  | (2,949) | 428    | 2,558  | 5,825  |

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| For the                                            |            |            |            |            |             |            |        |          |          |     |
|----------------------------------------------------|------------|------------|------------|------------|-------------|------------|--------|----------|----------|-----|
| Year Ended December 31,                            |            |            |            |            |             |            |        |          |          |     |
| Income taxes                                       | 938        | 938        | 312        | 312        | 312         | 312        | 312    | 312      | 312      | 312 |
| Net income (loss)                                  | \$ 1,657   | \$ 3,382   | \$ 141     | \$ (6,200) | \$ (37,002) | \$ (2,949) | \$ 428 | \$ 2,558 | \$ 5,825 |     |
| Basic earnings per share <sup>(2)</sup>            | \$ 0.04    | \$ 0.11    | \$ (0.17)  | \$ 0.01    | (4)         |            |        |          |          |     |
| Diluted earnings per share <sup>(3)</sup>          | \$ 0.04    | \$ 0.11    | \$ (0.16)  | \$ 0.01    | (4)         |            |        |          |          |     |
| Weighted average common shares outstanding basic   | 37,100,989 | 30,350,989 | 37,100,989 | 29,965,418 |             |            |        |          |          |     |
| Weighted average common shares outstanding diluted | 38,923,061 | 32,171,712 | 68,567,373 | 61,232,629 |             |            |        |          |          |     |

- (1) The results of operations for the year ended December 31, 2004 reflect the results of operations of our predecessor entities for the period from January 1, 2004 through November 1, 2004, and the results of operations of the company, after completion of our initial public offering, for the period from November 2, 2004 through December 31, 2004.
- (2) Pro forma basic earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income divided by the number of common shares outstanding after this offering.

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(3)

Pro forma diluted earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income (loss) divided by the number of common shares outstanding and common equivalent shares outstanding after this offering.

(4)

Basic and diluted earnings per share reflects our operations for the period November 2, 2004 to December 31, 2004. Net income for the period was \$251,000.

| As of June 30,                   |                 |                                 |                 | As of December 31,   |          |          |          |
|----------------------------------|-----------------|---------------------------------|-----------------|----------------------|----------|----------|----------|
|                                  |                 |                                 |                 | Predecessor Entities |          |          |          |
| Pro Forma<br>2005                | Company<br>2005 | Predecessor<br>Entities<br>2004 | Company<br>2004 | 2003                 | 2002     | 2001     | 2000     |
| (dollars in thousands)           |                 |                                 |                 |                      |          |          |          |
| Balance Sheet Data:              |                 |                                 |                 |                      |          |          |          |
| Real estate investments, at cost | \$ 1,140,713    | \$ 957,348                      | \$ 638,635      | \$ 6,963             | \$ 7,100 | \$ 7,210 | \$ 7,268 |
| Corporate assets, net            | 7,250           | 7,250                           | 6,894           | 11,384               | 6,963    | 7,100    | 7,210    |
| Cash and cash equivalents        | 11,209          | 16,404                          | 529             | 60,926               | 515      | 96       | 837      |
| Total assets                     | 1,225,517       | 1,046,370                       | 21,732          | 773,061              | 16,146   | 13,536   | 15,390   |
| Notes payable                    | 666,138         | 551,100                         | 10,533          | 370,007              | 10,977   | 11,806   | 12,552   |
| Line of credit                   | 41,676          | 71,000                          |                 |                      |          |          |          |
| Total liabilities                | 745,170         | 659,456                         | 14,452          | 395,242              | 12,552   | 13,099   | 13,791   |
| Minority interest                | 201,558         | 201,558                         |                 | 182,118              |          |          |          |
| Equity                           | 278,789         | 185,356                         | 7,280           | 195,701              | 3,594    | 437      | 1,599    |

| For the<br>Six Months Ended<br>June 30, |                 |                                 | For the<br>Year Ended December 31, |                                |      |      |      |      |
|-----------------------------------------|-----------------|---------------------------------|------------------------------------|--------------------------------|------|------|------|------|
|                                         |                 |                                 | Predecessor Entities               |                                |      |      |      |      |
| Pro Forma<br>2005                       | Company<br>2005 | Predecessor<br>Entities<br>2004 | Pro Forma<br>2004                  | Company<br>2004 <sup>(1)</sup> | 2003 | 2002 | 2001 | 2000 |
| (dollars in thousands)                  |                 |                                 |                                    |                                |      |      |      |      |

|                                                                           |           |           |        |            |             |            |        |          |          |  |
|---------------------------------------------------------------------------|-----------|-----------|--------|------------|-------------|------------|--------|----------|----------|--|
| <b>Funds From Operations (FFO)<sup>(2)</sup>:</b>                         |           |           |        |            |             |            |        |          |          |  |
| Net income (loss)                                                         | \$ 1,657  | \$ 3,382  | \$ 141 | \$ (6,200) | \$ (37,002) | \$ (2,949) | \$ 428 | \$ 2,558 | \$ 5,825 |  |
| Adjustments:                                                              |           |           |        |            |             |            |        |          |          |  |
| Plus minority interest                                                    | 3,949     | 4,263     |        | (5,020)    | 247         |            |        |          |          |  |
| Less net gain on sale of interests in joint venture                       |           |           |        |            |             | (751)      |        |          |          |  |
| Plus profits interests and employee initial public offering bonus expense |           |           |        |            | 37,502      |            |        |          |          |  |
| Plus depreciation on real property                                        | 13,078    | 9,379     |        | 26,157     | 4,043       |            |        |          |          |  |
| Plus amortization of lease intangibles                                    | 8,973     | 5,230     |        | 12,796     | 2,296       |            |        |          |          |  |
| Funds from operations                                                     | \$ 27,657 | \$ 22,254 | \$ 141 | \$ 27,733  | \$ 7,096    | \$ (3,700) | \$ 428 | \$ 2,558 | \$ 5,825 |  |

|                                                     |          |          |        |            |             |            |        |          |          |  |
|-----------------------------------------------------|----------|----------|--------|------------|-------------|------------|--------|----------|----------|--|
| <b>EBITDA<sup>(3)</sup>:</b>                        |          |          |        |            |             |            |        |          |          |  |
| Net income (loss)                                   | \$ 1,657 | \$ 3,382 | \$ 141 | \$ (6,200) | \$ (37,002) | \$ (2,949) | \$ 428 | \$ 2,558 | \$ 5,825 |  |
| Adjustments:                                        |          |          |        |            |             |            |        |          |          |  |
| Plus minority interest                              | 3,949    | 4,263    |        | (5,020)    | 247         |            |        |          |          |  |
| Less net gain on sale of interests in joint venture |          |          |        |            |             | (751)      |        |          |          |  |

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|                                    |           | For the                 |        |           |             |            |          |          |          |  |
|------------------------------------|-----------|-------------------------|--------|-----------|-------------|------------|----------|----------|----------|--|
|                                    |           | Year Ended December 31, |        |           |             |            |          |          |          |  |
| Plus interest expense              | 18,270    | 12,247                  | 157    | 35,567    | 6,072       | 996        | 542      | 814      | 365      |  |
| Plus income taxes                  | 938       | 938                     |        | 312       | 312         |            |          |          |          |  |
| Plus depreciation and amortization | 22,358    | 14,844                  | 418    | 39,886    | 7,154       | 822        | 821      | 814      | 83       |  |
| EBITDA                             | \$ 47,172 | \$ 35,674               | \$ 716 | \$ 64,545 | \$ (23,217) | \$ (2,482) | \$ 1,791 | \$ 4,186 | \$ 6,273 |  |

(1)

The results of operations for the year ended December 31, 2004 reflect the results of operations of our predecessor entities for the period from January 1, 2004 through November 1, 2004, and our results of operations, after completion of our initial public offering, for the period from November 2, 2004 through December 31, 2004.

(2)

Funds from Operations, or FFO, is a widely recognized measure of REIT performance. Although FFO is not a GAAP, or generally accepted accounting principle, financial measure, we believe that information regarding FFO is helpful to shareholders and potential investors. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, except with respect to FFO presented for the year ended December 31, 2004, for which we added back a non-recurring compensation expense relating to the period from January 1, 2004 through November 1, 2004, prior to completion of our initial public offering. The manner in which we compute FFO may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than our management. NAREIT defines FFO as net income (loss) before minority interest of unitholders, excluding gains (losses) on sales of depreciable operating property and extraordinary items (computed in accordance with GAAP), plus real estate related depreciation and amortization (excluding amortization of deferred financing costs), and after adjustment for unconsolidated partnerships and joint ventures. The GAAP measure that we believe to be most directly comparable to FFO, net income (loss), includes depreciation and amortization expenses, gains or losses on property sales and minority interest. In computing FFO, we eliminate these items because, in our view, they are not indicative of the results from our property operations. To facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income (determined in accordance with GAAP) as presented in the financial statements included elsewhere in this prospectus. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (loss) (determined in accordance with GAAP) as a measure of GMH Communities Trust's liquidity, nor is it indicative of funds available for our cash needs, including our ability to make cash distributions to shareholders.

(3)

EBITDA is defined as net income (loss) before minority interest, net gain on sale of interests in joint ventures, interest expense, income taxes and depreciation and amortization. EBITDA is a useful measure of our operating performance, as it provides us with a measure of our profitability, by removing the impact of our asset base (primarily depreciation and amortization) and the impact of leverage from our operating results, enabling us to analyze our operating performance on a comparable basis to our competitors, regardless of capital structure. EBITDA, as calculated by us, may not be comparable to EBITDA reported by other companies that do not define EBITDA exactly as we define the term. EBITDA does not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of liquidity.

## RISK FACTORS

*An investment in our common shares involves a number of risks. The risks described below represent the material risks you should carefully consider before making an investment decision. If any of these risks occurs, our business, liquidity, financial condition and results of operations could be materially and adversely affected, in which case the price of our common shares could decline significantly and you could lose all or part of your investment.*

### ***Risks Relating to Our Business and Growth Strategy***

**We commenced operations through our operating partnership in July 2004, have a limited history of operating and owning our student housing properties and military housing privatization projects, and therefore may have difficulty successfully and profitably operating our business.**

We have only recently commenced operations through the acquisition of our student housing properties, investments in military housing privatization projects and agreements to manage student housing for others by our operating partnership in connection with our initial public offering in November 2004 and the related formation transactions as described in the section of this prospectus titled "*Our Business Formation Transactions*." As a result, we have a limited operating history and limited experience in owning these student housing properties and operating these military housing privatization projects. Furthermore, we acquired all of our student housing properties and investments in military housing privatization projects we own as of September 19, 2005 within the past two years and we have limited operating histories for the properties currently under management. Consequently, our historical operating results and the financial data set forth in this prospectus may not be useful in assessing our likely future performance. We cannot assure you that we will be able to generate sufficient net income from operations to make distributions to our shareholders.

**We have experienced, and expect to continue to experience, rapid growth in our student housing and military housing businesses and may not be able to adapt our management and operational systems to respond to the acquisition and integration of additional properties and investments in privatization projects without unanticipated disruption or expense.**

We acquired all of our student housing properties and investments in military housing privatization projects since July 2004 and expect to continue to acquire additional student housing properties and invest in military housing privatization projects on a rapid basis.

As a result of this rapid growth of our properties portfolio, we cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems, or hire or retain sufficient operational staff to integrate these student housing properties and military housing privatization projects into our portfolio and manage any future acquisitions of additional student housing properties or military housing privatization projects without operating disruptions or unanticipated costs. Our failure to successfully integrate any future student housing property acquisitions, student housing property management contracts or military housing privatization projects into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our shareholders.

**Since our initial public offering, our cash flow from operations has been insufficient to fund our dividend distributions to our shareholders, and we expect it to continue to be so in the near term. Therefore, we expect to borrow funds in order to make these dividend distributions.**

Since completion of our initial public offering, we have used borrowings under our credit facility to pay a portion of dividend distributions to our shareholders. We expect that for some period in the future, our cash flow from operations will continue to be insufficient to fund our distributions to shareholders. As a result, we expect to rely on third-party debt financing, including funds from our credit facility, in order to fund a portion of our dividend distributions until our cash flow from

operations are sufficient to fund dividend distributions declared by our board of trustees. This indebtedness will increase our leverage and decrease our ability to borrow money for other needs, such as the acquisition or development of student housing properties and military housing privatization projects. We expect that approximately 35% of our estimated distributions for the year ending December 31, 2005, as described in "*Price Range of Common Shares and Dividend Policy*," will represent a return of capital for federal income tax purposes.

**We expect our real estate investments to continue to be concentrated in student housing and military housing, making us more vulnerable to economic downturns in these housing markets than if our investments were diversified across several industry or property types.**

We elected to be treated as a REIT for federal income tax purposes in connection with the filing of our tax return for the taxable year ended December 31, 2004, and we expect to continue to qualify as a REIT in the future. Accordingly, we will invest primarily in real estate. We intend to acquire and manage student housing properties, and to develop, construct, renovate and manage military housing properties. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our business strategy to invest primarily in student and military housing properties. A downturn in the student or military housing markets could negatively affect our ability to lease our properties to new student residents and our ability to profitably operate our military housing privatization projects or obtain new privatization projects. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of the student and military housing markets.

**If we are unable to successfully perform our obligations under our current student housing property management agreements and current military housing privatization projects, our ability to execute our business plan and our operating results could be adversely affected.**

We cannot assure you that we will be able to successfully manage our student housing properties, or develop, construct, renovate and manage the military housing properties under our privatization projects, or that we will be able to perform our obligations under our current student housing property management agreements or military housing privatization projects. If we do not perform our obligations or satisfy certain criteria, we may not collect various base and incentive fees already recognized as revenue in accordance with our revenue recognition policies, in which event we would be required to record a charge equal to the previously recognized revenue. If we are unable to perform, we may be unable to execute our business plan, which could have a material adverse effect on our operating results and financial condition and our ability to make distributions to our shareholders.

**We have agreed with Vornado Realty L.P. that our activities will satisfy certain requirements. If we are unable to satisfy these requirements we could be liable for substantial amounts.**

In connection with the investment by affiliates of Vornado Realty L.P. in our operating partnership and the issuance of a warrant, we and our operating partnership have agreed to certain restrictions regarding our activities and assets and the activities and assets of our operating partnership. If we breach any of these agreements, and, as a result, Vornado Realty L.P. or any of its permitted transferees under the warrant that have made a REIT election fails to maintain its qualification as a REIT or otherwise incurs liability for any tax, penalty or similar charges, we and our operating partnership could be exposed to substantial liability for damages attributable to our breach. See "*Our Business Our Agreements with Vornado Realty L.P. and its Affiliates Restrict our Activities*."

**Our debt service obligations may have a negative impact on our ability to make dividend distributions to our shareholders, pursue our business plan and maintain our REIT status, and our management and board of trustees have discretion to increase the amount of our outstanding debt at any time without approval of our shareholders.**

We do not have a policy limiting the amount of debt that we may incur, although we have established 45% to 60% as the target range for our debt-to-assets ratio. Accordingly, our management and board of trustees have discretion to increase the amount of our outstanding debt at any time without approval by our shareholders. As of August 31, 2005, our total indebtedness was approximately \$729.7 million, and we may incur additional debt to finance future acquisition and investment activities. Payments of principal and interest on borrowings could leave us with insufficient cash resources to operate our student housing properties and military housing privatization projects or to pay the dividend distributions currently contemplated or necessary to maintain our REIT qualification.

**If we were to default on our secured debt or debt under our credit facility in the future, the loss of any property securing the debt could adversely affect our business or result in the debt under our credit facility being immediately due and payable.**

A substantial portion of our debt will be secured by first mortgage debt on our properties. However, we also have a three-year, \$150.0 million unsecured credit facility. Our cash flow may be insufficient to make required payments of principal and interest on our debt. Any default in payment of our indebtedness or violation of any covenants in our loan documents could result in our debt obligations under our credit facility being immediately due and payable, to the extent that we are unable to obtain waivers of financial covenants from our lenders or amend the loan documents, as we have several times in the past. Additionally, some of our indebtedness contains cross default provisions. A default under a loan with cross default provisions could result in default on other indebtedness.

**We are subject to risks associated with the general development of housing properties, including those associated with construction, lease-up, financing, real estate tax exemptions, cost overruns and delays in obtaining necessary approvals, and the risk that we may be unable to meet schedule or performance requirements of our contracts.**

We intend to continue to acquire and manage student housing properties, and to develop, construct, renovate and manage military housing properties under our privatization projects, in accordance with our business plan. We also engage in the development and construction of student housing properties. These activities may include the following risks:

construction/renovation costs of a property may exceed original estimates, possibly making the development uneconomical;

occupancy rates and rents at newly completed student housing properties or military housing properties may be insufficient to make the properties profitable to us or to provide sufficient cash flows to fund future development, construction or renovation periods;

acceptable financing may not be available on favorable terms for development or acquisition of a property;

leasing of a property may take longer than expected;

development efforts may be abandoned;

obtaining real estate tax exemptions acceptable to the DoD; and

new construction may not be completed on schedule, resulting in increased debt service expense and development costs, delayed leasing and possible termination of our management contracts (particularly with respect to our military housing privatization projects).

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In addition, any new development or management activities, regardless of whether or not they are ultimately successful, typically will require a substantial portion of the time and attention of our management. Development and management activities are also subject to risks relating to the inability to obtain, or delays in obtaining, the necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

The development and operation of real estate projects entails certain risks, including risks that costs of a project may exceed original estimates, and that the project will fail to conform to building plans, specifications and timetables, which may in turn be affected by strikes, weather, government regulations and other conditions beyond our control. In addition, we may become liable for injuries and accidents occurring on our properties and for environmental liabilities related to our property sites.

**Our management has limited prior experience operating a REIT or a public company. These limitations may impede the ability of our management to execute our business plan successfully and operate our business profitably.**

Our management has limited prior experience in operating a REIT or in managing a publicly owned company, or managing growth at the levels we expect in the near future. We cannot assure you that the operating performance of our student housing properties and military housing privatization projects will not decline under our management. We may be unable to hire additional personnel on a timely basis. Therefore, you should be especially cautious in drawing conclusions about the ability of our management team to execute our business plan.

**Our predecessor entities have a history of incurring losses, and we may incur losses in the future.**

For the period from January 1, 2004 through November 1, 2004, which is the date before we acquired the assets of our predecessor entities in connection with the closing of our initial public offering on November 2, 2004, our predecessor entities experienced a net loss of \$37.3 million. This loss resulted principally from compensation expenses that were attributed to us as a result of profits interests payments and employee bonuses paid by Gary M. Holloway, Sr. in connection with our initial public offering. If our student housing and military housing businesses do not generate sufficient revenue from operations to maintain profitability, we may be unable to make dividend distributions to our shareholders.

### *Specific Risks Related to Our Student Housing Business*

**Virtually all of our student housing leases, which typically have a 12-month lease term, become subject to renewal with existing student residents or lease-up with new student residents during July and August of each year, which coincides with the start of the academic year at most colleges and universities. If we are unable to renew or lease-up our student housing properties prior to the start of the academic year, our chances of leasing these properties during subsequent months is reduced, and correspondingly, our rents and operating results will be adversely affected.**

As a result of the student demand for rental housing during the two months prior to the beginning of the academic year at colleges and universities, which typically lasts from July through August, we generally lease our student housing properties to students under 12-month leases during this period. During this lease-up period, we typically will execute the majority of our leases for student housing units and therefore are dependent on the effectiveness of the marketing efforts of our on-site management teams. Because the terms of these leases will end at, or near the same time, we must re-lease the majority of our student housing units during this limited timeframe. If our marketing and leasing efforts are unsuccessful during this limited lease-up period, we may be unable to lease a substantial majority of our student housing units. Consequently, the failure to adequately market and lease-up our properties could have a material adverse effect on our operating results and financial condition.

**We face significant competition from university-owned on-campus student housing, from other off-campus student housing properties and from traditional multi-family housing located near colleges and universities.**

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

Currently, the off-campus student housing industry is fragmented with no participant holding a significant market share. We also compete with national and regional owner-operators of off-campus student housing in a number of markets, as well as with smaller local owner-operators. Our properties often compete directly with a number of student housing complexes that are located near or in the same general vicinity of many of our properties. These competing student housing complexes may be newer than our properties, located closer to campus, charge less rent, possess more attractive amenities or offer more services or shorter terms or more flexible leases.

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

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

**Our student housing operations may be adversely affected by changing university admission and housing policies and our inability to maintain relationships with local colleges and universities.**

A change in university admission policies could adversely affect our ability to lease our student housing properties. For example, if a university reduces the number of student admissions or requires that a certain class of students (e.g., freshmen) live in a university-owned facility, the demand for beds at our properties may be reduced and our occupancy rates may decline. We may be unable to modify our marketing efforts to compensate for a change in a college's or university's admission policy prior to the commencement of the annual lease-up period or any additional marketing efforts may be unsuccessful.

In addition, our ability to successfully lease our student housing properties depends on a number of factors, including maintaining good relationships with college and university communities (especially in connection with colleges and universities referring students to us) and our continued ability to attract student residents to our properties. Many colleges and universities assist their students in the identification of attractive student-friendly off-campus housing through the distribution of off-campus property materials and the recommendation of college- and university-approved off-campus housing properties on their web sites. If colleges and universities change their policies on recommending off-campus student housing to their students, or cease distribution of off-campus student housing marketing materials to their students, our ability to attract student residents to lease and collect rents on our student housing properties could be adversely affected. Consequently, the failure to maintain relationships with local colleges and universities could have a material adverse effect on our student housing business.

**We may be unable to successfully acquire and manage student housing properties on favorable terms.**

Our future growth is dependent upon our ability to successfully acquire new properties on favorable terms. As we acquire additional properties, we will be subject to risks associated with managing new properties, including lease-up and integration risks. Newly acquired properties may not perform as expected and may have characteristics or deficiencies unknown to us at the time of acquisition. There can be no assurance that future acquisition opportunities will be available to us on terms that meet our investment criteria or that we will be successful in capitalizing on such opportunities. Our ability to capitalize on such opportunities will be largely dependent upon external sources of capital that may not be available to us on favorable terms, or at all.

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

potential inability to acquire a desired property because of competition from other real estate investors;

competition from other potential acquirers may significantly increase a property's purchase price;

we may be unable to finance an acquisition on favorable terms or at all;

we may have to incur significant capital expenditures to improve or renovate acquired properties;

we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties subject to liabilities without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of our properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of our properties.

Our failure to finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, could adversely affect our financial condition and results of operations.

**The lenders of certain non-recourse indebtedness that we assume or place on our properties could have recourse against us for the full amounts of their loans under certain circumstances.**

As of June 30, 2005, we had \$551.1 million in aggregate principal amount of debt secured by our properties and certain corporate assets. In general, mortgage debt is non-recourse to the respective borrower and will be non-recourse to us. However, the terms of each of the loans to which the mortgage debt relates include provisions that enable the lender to have recourse to the borrower generally if the borrower misrepresented certain facts or committed fraud. If one or more of the borrowers under these loans commits the acts described above, the lenders could have recourse against us for the full amount of the mortgage debt outstanding under their loans, which could adversely affect our liquidity and financial condition.

*Specific Risks Related to our Military Housing Business*

**Certain military bases for which we own and operate a military housing privatization project have been recommended for reduction of troops or closure under the Base Realignment and Closure, or BRAC, regulations, and additional military bases may be targeted prior to the expected adoption of the final BRAC list in the fourth quarter of 2005. If military bases under any of our military housing privatization projects are included on the final list, our operating revenues from these projects and the value of our equity interest in the projects may be reduced, and our overall military housing segment revenues could be adversely affected.**

As part of the DoD's substantial reduction in the size of the U.S. military following the end of the Cold War, the federal government undertook four rounds of BRAC beginning in 1988, and again in 1991, 1993 and 1995. The fifth round of BRAC was initiated in 2004 and has been targeted for completion in the fourth quarter of 2005, when the final list of additional bases recommended for realignment or closure is expected to become effective. The BRAC law sets out a process that includes specific dates for government action and the creation of an independent commission appointed by the President. This commission analyzes the list of proposed bases provided by the DoD and makes recommendations to the President regarding the list. On May 13, 2005, the DoD released its recommendations for BRAC. Also, on July 19, 2005, the BRAC Commission voted to amend the DoD list of bases to be considered for closure and realignment. Based on the preliminary information released by the DoD and the BRAC modification on those dates, we concluded that BRAC could have affected approximately 2,500 housing units at the Submarine Base in New London, Connecticut; Portsmouth Naval Shipyard in Kittery, Maine; and Naval Air Station in Brunswick, Maine. On August 23, 2005, the BRAC Commission voted to remove the Submarine Base in New London, Connecticut and the Portsmouth Naval Shipyard in Kittery, Maine from the closure list. As a result, this reduced the possible number of military housing units that may be affected by BRAC at our military housing privatization projects to approximately 700 units. The BRAC Commission has also proposed a less significant realignment at the Fort Eustis base under our Fort Eustis/Fort Story project in Newport News, Virginia than was proposed by DoD. Finally, the BRAC Commission voted to uphold the DoD recommendation to close the Walter Reed Army Medical Center in Washington, DC. We believe that the closure of Walter Reed will not result in the loss of housing units, as these housing units are likely to be utilized by personnel who will be relocated from serving at Walter Reed to serving at nearby military medical facilities. In addition, some of the other bases for which we own and operate a military housing privatization project could be included in the final list of bases subject to BRAC. The final list of bases subject to BRAC should, if the full process proceeds as set forth in the Defense Base Closure and Realignment Act of 1990, as amended, be completed by the end of 2005. For a more complete description of the BRAC process, see the section of this prospectus titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Military Housing.*"

If a base for which we maintain a privatization project is identified for realignment or closure, our main source of tenants, members of the U.S. military and their families, will not continue to require housing at or near the base, resulting in a decreased rental revenue stream. This in turn may jeopardize our ability to collect future fees, and the value of our equity interest in the project could be adversely affected due to a reduction in its scope, to the extent that we are unable to re-lease any vacant units. The military housing privatization initiative had not been undertaken at the time of previous BRAC rounds, and therefore there is no historical information regarding the impact of a base closure on a military housing privatization project or the possible effects that a base closure or realignment could have with respect to the outstanding debt financing for a project. As a result, we are unable to determine with any certainty the specific impact that closures and realignments of the bases under any of our projects will have on our military housing operating results or the timing of any such impact, other than the possibility that we could lose all of the fee income associated with that project and the value of our equity interest in the project.

In addition, it is inherent in the nature of military service that members of the military may be deployed and stationed away from a particular base for an extended period of time or permanently be reassigned to another base. As a result of such absences, dependents may move out of military housing facilities resulting in vacant housing units to be managed and re-leased by us. Typical military housing lease agreements, which have a one-year lease term and continue month-to-month thereafter, provide that a military resident may terminate a lease and be released from any further obligations under the lease upon receipt of orders requiring the resident to be deployed or temporarily or permanently stationed away from the base for more than 90 days by providing us with proof of orders and an appropriate letter from the resident's commanding officer. If we are unable to re-lease these vacant units, the management fee revenue derived from the project's rental revenues will decrease, and the project may be unable to be appropriately funded for construction and renovation of units throughout the term of the project. We also may be unable to receive any other fees that we may have otherwise earned under the project, and the projected, or any, return on our investment in the project. Any such effect could have an adverse effect on our financial condition and results of operations.

If there are significant numbers of base closures, force reductions or troop deployments that affect our existing military housing privatization projects, we may be unable to achieve the anticipated operating revenues to be derived from these projects and our results of operations may be adversely affected.

**We rely on key partners and contractors in connection with the construction and development of our military housing privatization projects, and our inability to maintain these relationships or to engage new partners or subcontractors under commercially acceptable terms to us could impair our ability to successfully complete the construction and development of our military housing privatization projects and to obtain new military housing privatization projects.**

We are dependent upon our relationships with partners and subcontractors in connection with the construction, renovation and development of our military housing privatization projects. Particularly, our management team has relationships with Centex Construction Company, Inc. and The Benham Companies. Subject to the terms of our agreements with these construction, renovation and design partners and contractors, both Centex and Benham provide services to those military housing privatization projects in which they are involved. To the extent that we are unable to maintain our relationships with these partners and contractors or to engage new partners and contractors under terms acceptable to us, our ability to complete a project in a timely fashion, or at a profit, may be impaired. If the amount we are required to pay for these services exceeds the amount we have estimated in bidding for military housing privatization projects or other fixed-price work, we could experience losses in the performance of these projects. In addition, if a partner or subcontractor was unable to deliver its services according to our negotiated terms with them for any reason, including the deterioration of its financial condition, another subcontractor would need to be obtained to perform the services, potentially at a higher price. This may result in the significant delay or additional costs associated with performance under our military housing privatization projects, the adverse effect on our operating results through a reduction in the profit to be realized, or the recognition of a loss on a project for which the services were needed. In addition, if we are unable to successfully manage the provision of services by our partners and contractors, we may not be awarded future military housing privatization projects.

**We are subject to the risks associated with conducting business with the federal government, such as the government's discontinuation of federal funding for some or all of its military housing privatization projects and the need to win new military housing privatization projects through a competitive bidding process.**

We are subject to risks associated with conducting business with the federal government. The DoD, pursuant to its authority granted under the 1996 National Defense Authorization Act, has approved, as

of August 1, 2005, the award of 63 military housing privatization projects to private owners, and the future award of an additional 49 projects. Any Congressional action to reduce budgetary spending by the DoD could limit the continued funding of these private-sector projects and could limit our ability to obtain additional privatization projects, which would have a material adverse effect on our business. The risks of conducting business with the federal government also include the risk of civil and criminal fines and the risk of public scrutiny of our performance at high profile sites.

In addition, privatization projects are currently awarded pursuant to a competitive bidding process, which differs procedurally with respect to each U.S. military branch. Generally, after a proposed site has been identified by a military branch for privatization, prospective companies must submit a proposal complying with specified guidelines demonstrating that the company will be able to successfully complete the project in accordance with the government requirements. The project winner is awarded the exclusive right to develop, construct, renovate and manage family housing at a military base throughout the duration of the ground lease, typically for a 50-year period. The competition pursuing privatization projects currently consists of a small, distinguished list of national and international developers, owners and operators of commercial and residential real estate. We cannot predict whether the number of companies that we compete against for the award of privatization projects will increase significantly in the future, or that we will be able to effectively compete against other private owners for projects awarded in the future.

The termination of the DoD's authority to grant privatization projects, the reduction of government funding for such projects and our inability to effectively compete for the award of future projects could have a material adverse effect on our military housing business and, correspondingly, on our operating results and financial condition.

**If Congress does not approve appropriations each year relating to the provision of the BAH paid to members of the U.S. military, which is the primary source of rental revenues under our military housing privatization projects, or if BAH were eliminated, our operating revenues and projected returns on investments from our military housing privatization projects would be significantly reduced.**

Each year Congress must appropriate a budget for BAH for all of the branches of the U.S. military. We cannot assure you that such appropriations will be made in any given year, the appropriation each year will occur on a timely basis, or the amount of BAH appropriated will be sufficient to keep up with escalations in cost of living expenses. Moreover, we cannot assure you that the method of calculation, timing of payment, analysis of comparable market rents, cost of living increases or other issues affecting the amount and receipt of BAH by members of the U.S. military will not change from time to time, with possible material adverse consequences for the amount of operating revenues generated by our military housing privatization projects. The foregoing description of BAH is based on current law and DoD procedures. Congress can change the law and the DoD can revise its procedures at any time. We cannot assure you that such changes will not be made and, if changes are made, such changes may have a material adverse effect on the level of our operating revenues generated by our privatization projects.

**The joint ventures that own our military housing privatization projects have high leverage ratios which could cause us to lose cash flows and our investments in those projects if the joint ventures are unable to pay their debt service obligations.**

Typically, up to 90% of the capitalization of the joint ventures that own our military housing privatization projects is debt. These joint ventures are not required to be consolidated with our operations, and as a result this indebtedness is not reflected on our balance sheet. As a result of the high leverage ratios of these joint ventures, reductions in their revenues could impair their ability to service their debt. For example, if the BAH paid to members of the U.S. military is reduced, the personnel is reduced at the bases where our projects are located or these bases are closed, the revenue generated by these joint ventures could decrease. If any of these joint ventures cannot service its

indebtedness, we would not be paid our development, construction, renovation and/or management fees, which would adversely affect our operating results. We also could lose our entire equity and other investment in the project, which could adversely affect our financial condition.

**Our ability to earn development, construction/renovation and management fees, including related incentive fees, depends on the joint ventures that own our military housing privatization projects achieving specified operating milestones and thresholds.**

The joint ventures that own our military housing privatization projects derive substantially all of their revenues from the BAH of their tenants. This revenue is then paid out by the joint ventures according to a distribution "waterfall" plan set forth in the joint ventures' governing documents. Other than the standard management fee we earn, which is typically 2% to 3% of the BAH-related project revenues, and other disbursements, such as routine maintenance, utilities, taxes and insurance, no funds are available to be paid out to us until the joint ventures' debt service obligations are satisfied. Thereafter, we only earn incentive management fees, preferential and other returns and on-going construction/renovation and development fees if the joint venture achieves operating milestones and thresholds specified in their governing documents. We cannot assure you that the joint ventures will achieve these operating milestones and thresholds, or that if the joint ventures achieve these milestones and thresholds, that funds will remain to pay incentive management fees, preferential and other returns and on-going construction/renovation and development fees. If the joint ventures fail to achieve these milestones and thresholds or, if funds are not available to pay incentive management fees, preferential and other returns and on-going construction/renovation and development fees, the operating results of our military housing business will suffer.

**If we are unable to reach definitive agreements regarding the military housing privatization projects that are under exclusive negotiations with the U.S. military or as to which we are participating in a solicitation process, we would be unable to recover any costs incurred during the period of exclusivity or solicitation.**

When we are initially selected for a military housing privatization project through the bidding process, we receive only the right to enter into exclusive negotiations with the applicable U.S. military branch, and the award of the project to us is subject to final approval from the U.S. military branch and Congress. During this exclusivity period, or during a pre-award solicitation period, each of which typically lasts between six months to one year, we will develop and present our plans to develop, construct, renovate and manage the project and may incur significant costs during this process. These costs include, among other things, surveyors, equipment, vehicles, on-site personnel salary and wages, inventory, and office and administrative set-up costs.

We cannot assure you that we will receive final approval from Congress on the award of any projects currently under exclusive negotiations or as to which we are participating in a solicitation process, or that the U.S. military branch will not decide to award the project to a competitor at the end of our exclusive negotiations or the solicitation process. If we do not receive final approval on the award of the project from the U.S. military branch or Congress, we may be unable to recover all of the costs that we have incurred during the exclusivity period or the solicitation process through our general military housing operations. Specifically, we anticipate that by the time of the projected closing for the Fort Gordon privatization project, for which we are currently in exclusive negotiation, we will have spent approximately \$1.0 million in costs, some or all of which we may not recover if we do not receive final approval on the award of the project. In addition, based upon the solicitation process outlined by the Air Force, we anticipate that by the time of the projected closing for the Air Force privatization project for which we are currently in the solicitation process, we will have spent approximately \$3.5 million in costs, some or all of which we may not recover if we do not receive final approval from the Air Force on the project. Our failure to recover costs that we incur in connection with military housing privatization projects that are under exclusive negotiations or as to which we are participating

in a solicitation process may cause the operating results of our military housing business to be adversely affected.

***Risks Relating to Our Organization and Structure***

**Our board of trustees may authorize the issuance of additional shares that may cause dilution.**

Our declaration of trust authorizes our board of trustees, without shareholder approval, to:

amend the declaration of trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of beneficial interest of any class that we have the authority to issue;

authorize the issuance of additional common or preferred shares, or units of our operating partnership which may be convertible into common shares; and

classify or reclassify any unissued common shares or preferred shares and to set the preferences, rights and other terms of such classified or reclassified shares, including preferred shares that have preference rights over the common shares with respect to dividends, liquidation, voting and other matters or common shares that have preference rights with respect to voting.

The issuance of additional shares could be substantially dilutive to our existing shareholders.

**Our board of trustees may approve the issuance of a class or series of common or preferred shares with terms that may discourage a third party from acquiring us.**

Our board of trustees may classify or reclassify any unissued common or preferred shares and establish the preferences and rights (including the right to vote, participate in earnings and convert into common shares) of any such shares. Thus, our board of trustees could authorize the issuance of a class or series of common or preferred shares with terms and conditions which could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of the common shares might receive a premium for their shares over the then current market price of our common shares.

**Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit your recourse in the event of actions taken that are not in your best interests.**

Our declaration of trust authorizes us and our bylaws require us to indemnify and advance expenses to our trustees and officers for actions taken by them in those capacities to the fullest extent permitted by Maryland law. In addition, our declaration of trust limits the liability of our trustees and officers for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated.

As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist.

**Our ownership limitations may restrict business combination opportunities.**

To qualify as a REIT under the Code, no more than 50% of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain types of entities) during the last half of each taxable year (other than our first REIT taxable year). Our declaration of trust prohibits, subject to certain exceptions, direct or indirect ownership (including by

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virtue of applicable constructive ownership rules) by any person of more than 7.1% of our outstanding common shares (as determined by reference to number or value, whichever is

more restrictive), other than (i) Gary M. Holloway, Sr. and certain related persons, who are permitted in the aggregate to own up to 20% of the number or value of our outstanding common shares, whichever is more restrictive, (ii) Steven Roth and certain related persons, who are permitted in the aggregate to own up to 8.5% of the number or value of our common shares, whichever is more restrictive and (iii) Vornado Realty L.P., certain persons related to Vornado Realty L.P., certain of transferees or assignees of Vornado Realty L.P. or related persons and affiliates of such transferees or assignees, to which no ownership limit applies. Generally, common shares owned by affiliated owners will be aggregated for purposes of the ownership limitation. The definition of "person" in our declaration of trust is broader than the definition of "individual" that applies under the Code for purposes of the REIT qualification requirement that no more than 50% of our outstanding shares of beneficial interest be owned, directly or indirectly, by five or fewer individuals. As a result, our declaration of trust will prohibit share ownership in some circumstances where the ownership would not cause a violation of the REIT ownership requirement. Any transfer of our common shares that would violate the ownership limitation under our declaration of trust will be null and void, and the intended transferee will acquire no rights in such shares. Instead, such common shares will be designated as "shares-in-trust" and transferred automatically to a trust effective at the close of business on the day before the purported transfer of such shares. The beneficiary of a trust will be one or more charitable organizations named by us. The ownership limitation could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of common shares might receive a premium for their common shares over the then current market price or which such holders might believe to be otherwise in their best interests. The ownership limitation provisions also may make our common shares an unsuitable investment vehicle for any person seeking to obtain, either alone or with others as a group, ownership of more than 7.1% in number or value, whichever is more restrictive, of our outstanding common shares.

**Our executive officers and certain of our trustees may experience conflicts of interest in connection with their ownership interests in our operating partnership.**

Certain of our executive officers and trustees, including Gary M. Holloway, Sr., may experience conflicts of interest relating to their ownership interests in our operating partnership. With regard to ownership interests in our operating partnership, as of June 30, 2005, Mr. Holloway beneficially owned a 27.4% limited partnership interest in our operating partnership and our other executive officers, including Bruce F. Robinson, who is also one of our trustees, collectively owned a 2.8% limited partnership interest in our operating partnership. Michael D. Fascitelli, also one of our trustees, is the president and a member of the board of trustees of Vornado Realty Trust, which indirectly through its operating partnership owned an aggregate of 7,337,857 units of limited partnership interest in, or 11.8% of, our operating partnership as of June 30, 2005, and held a warrant to purchase up to additional 5,762,694 units of limited partnership interest in our operating partnership or our common shares at any time through May 2, 2006. If Vornado exercises the warrant to purchase these additional units, and assuming no other units are issued, Vornado would own an additional 8.5% limited partnership interest in our operating partnership. Conflicts may arise as a result of these persons' ownership interests in, or their affiliates' interests in, our operating partnership to the extent that their interests as limited partners diverge from our interests, particularly with regard to transactions, such as sales of assets or the repayment of indebtedness, that could be in our best interests and our shareholders but may have adverse tax consequences to the limited partners in our operating partnership.

**Certain of our executive officers and trustees may have conflicts of interest as a result of their profits interests in a student housing property that we currently have under management and in which Gary M. Holloway, Sr. owns a 20% interest.**

Mr. Holloway and certain of our other executive officers, including Bruce F. Robinson, who is also one of our trustees, may experience conflicts of interest with respect to profits interests that they

currently hold in a student housing property, The Commons, located near Auburn University in Alabama and for which we currently provide management consulting services. Mr. Holloway owns a 20% equity interest in the limited partnership that, through a joint venture, owns The Commons, and certain of our executive officers and their affiliates collectively hold profits interests totaling 26.7% of the gain, if any, realized by Mr. Holloway upon sale of the property. The conflicts of interest would adversely affect our business to the extent that our trustees' and executive officers' interests in this property diverge from the interests of GMH Communities Trust. Also, Mr. Holloway, Mr. Robinson and our other executive officers who hold a profits interest in the property may have conflicts of interest with regard to the terms under the consulting agreement that covers The Commons.

**Gary M. Holloway, Sr. may have conflicts of interest as a result of his ownership of an entity that provides services to us, leases space from us and to which we will provide consulting services.**

Mr. Holloway owns a 100% equity interest in GMH Capital Partners, LP, an entity that provides property management and real estate brokerage services for office, retail, industrial, multi-family and corporate properties as well as general contracting and construction management services and acquisition, disposition and development services. GMH Capital Partners, LP is not contractually prohibited from competing with us and engages in the management of certain student housing properties. As of June 30, 2005, we provided consulting services to GMH Capital Partners, LP relating to property management services that GMH Capital Partners provides for five student housing properties. In addition, GMH Capital Partners, LP leases space in our corporate headquarters, which we acquired in connection with our initial public offering. As a result of the ongoing ownership interests that Mr. Holloway owns in GMH Capital Partners, LP, there may be conflicts of interest with regard to the terms that we enter into pursuant to our consulting agreements for these properties, and terms under our lease to GMH Capital Partners, LP. In addition, we may engage GMH Capital Partners, LP to provide services for us.

**Because Gary M. Holloway, Sr. owns a significant number of units in our limited partnership, he may be able to exert substantial influence on our management and operations, which may prevent us from taking actions that may be favorable to our shareholders.**

As of June 30, 2005, Mr. Holloway beneficially owned 27.4% of the outstanding units of limited partnership interest in our operating partnership. If the maximum number of units redeemable for our common shares by Mr. Holloway were actually redeemed, Mr. Holloway would beneficially own approximately 20.0% of our outstanding common shares. Although the terms of our declaration of trust limit Mr. Holloway's ability to redeem his limited partnership interests to up to 20.0% of our outstanding common shares, such an ownership concentration of our shares may adversely affect the trading price of our common shares if investors perceive disadvantages to owning shares in companies with controlling shareholders. If we were to redeem the maximum number of Mr. Holloway's units for common shares and Mr. Holloway were to retain those shares, he would have the ability to exert significant influence over all matters requiring approval of our shareholders, including the election and removal of trustees and any proposed merger, consolidation or sale of substantially all of our assets. In addition, he could influence significantly the management of our business and affairs. This concentration also could have the effect of delaying, deferring or preventing a change of control of us or impeding a merger or consolidation, takeover or other business combination that could be favorable to you. Further, Mr. Holloway's concentration of ownership in our operating partnership affords him the ability to exert substantial influence over matters, such as a merger, consolidation or sale of substantially all of the assets of our operating partnership, all of which, under certain circumstances, require the consent of limited partners owning more than 50% of the partnership interest of the limited partners (other than those held by us or our subsidiaries).

**One of our trustees may have a conflict of interest as a result of his affiliation with Vornado Realty Trust, one of our largest shareholders on a fully-diluted basis.**

Mr. Fascitelli, one of our trustees, is the president and a member of the board of trustees of Vornado Realty Trust. As described elsewhere in this prospectus, our operating partnership was initially formed in July 2004 through a joint venture between entities owned by Mr. Holloway and Vornado Realty L.P., the operating partnership of Vornado Realty Trust. In connection with our formation transaction, we issued a warrant to Vornado Realty L.P., from which Vornado has purchased 6,666,667 units of limited partnership in our operating partnership as of September 19, 2005, and has the right to exercise the warrant for up to an additional 5,762,694 units of limited partnership interest or our common shares anytime prior to May 2, 2006. For a description of our transactions with Vornado prior to, and in connection with, our initial public offering, including the issuance of this warrant, see "*Our Business and Properties Our Formation Transactions*." Vornado CCA Gainesville, LLC, an affiliate of Vornado Realty L.P., also owns 671,190 units of limited partnership interest in our operating partnership, which were issued in connection with the contribution of an interest in a student housing property to our operating partnership at the time of our initial public offering. In addition, we have agreed to permit Vornado to redeem its units of limited partnership interest issued pursuant to the warrant six months after the issuance of such units, and to register for resale the common shares issuable upon exercise of the warrant and the other units currently held by Vornado CCA Gainesville, LLC. See "*Shares Eligible for Future Sale Registration Rights*." Under the terms of the warrant, Vornado has the right to designate for election to our board of trustees Mr. Fascitelli or such other officer of Vornado who is reasonably acceptable to us serve on our board of trustees, so long as it holds common shares or units of limited partnership interest in our operating partnership acquired under the warrant at an aggregate price of not less than \$10.0 million. Vornado exercised this right in August 2005, and Mr. Fascitelli was elected to serve on our board of trustees on August 10, 2005. See "*Management Corporate Governance Board of Trustees and Committees*." As of result of the foregoing, Mr. Fascitelli could experience conflicts of interest between his duties to us and our shareholders and his duties to Vornado and its shareholders.

**One of our trustees may have a conflict of interest as a result of his affiliation with one of our lenders.**

Denis J. Nayden, one of our trustees, is a senior vice president of General Electric Company, which is the parent company of General Electric Capital Corporation. We have incurred, and expect to incur, from General Electric Capital Corporation, indebtedness secured by properties and other assets that we own or will acquire. As of June 30, 2005, we had approximately \$300.0 million of indebtedness through General Electric Capital Corporation. Because Mr. Nayden has a fiduciary duty to our shareholders, he could experience conflicts of interest between these fiduciary duties to us and our shareholders and his duties to General Electric Company.

**Some of our executive officers and trustees have other business interests that may hinder their ability to allocate sufficient time to the management of our operations, which could jeopardize our ability to execute our business plan.**

Some of our executive officers and trustees have other business interests that may hinder their ability to spend adequate time on our business. Mr. Holloway retains 100% of the interests in GMH Capital Partners, LP, an entity that we did not acquire in our formation transactions, and several other entities relating to GMH Associates. GMH Capital Partners, LP provides various property management services and real estate brokerage services for office, retail, industrial, multi-family and corporate properties as well as construction management services and acquisition, disposition and development services. Mr. Holloway's employment agreement permits him to continue to provide management and other services to this entity, and the provision of such services may reduce the time Mr. Holloway is able to devote to our business.

**Maryland law may discourage a third party from acquiring us.**

Maryland law provides broad discretion to our board of trustees with respect to its duties in considering a change in control of our company, including that our board is subject to no greater level of scrutiny in considering a change in control transaction than with respect to any other act by our board.

The Maryland Business Combination Act restricts mergers and other business combinations between our company and an interested shareholder. An "interested shareholder" is defined as any person who is the beneficial owner of 10% or more of the voting power of our common shares and also includes any of our affiliates or associates that, at any time within the two year period prior to the date of a proposed merger or other business combination, was the beneficial owner of 10% or more of our voting power. A person is not an interested shareholder if, prior to the most recent time at which the person would otherwise have become an interested shareholder, our board of trustees approved the transaction which otherwise would have resulted in the person becoming an interested shareholder. For a period of five years after the most recent acquisition of shares by an interested shareholder, we may not engage in any merger or other business combination with that interested shareholder or any affiliate of that interested shareholder. After the five year period, any merger or other business combination must be approved by our board of trustees and by at least 80% of all the votes entitled to be cast by holders of outstanding voting shares and two-thirds of all the votes entitled to be cast by holders of outstanding voting shares other than the interested shareholder or any affiliate or associate of the interested shareholder unless, among other things, the shareholders (other than the interested shareholder) receive a minimum price for their common shares and the consideration received by those shareholders is in cash or in the same form as previously paid by the interested shareholder for its common shares. Our board of trustees has adopted a resolution, reflected in our bylaws, providing that we have opted out of the Maryland Business Combination Act. However, our board of trustees may opt at any time, without the approval of our shareholders, to make the statute applicable to us again. To the extent it applies, the business combination statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer.

Additionally, the "control shares" provisions of the MGCL are applicable to us as if we were a corporation. These provisions eliminate the voting rights of shares acquired in quantities so as to constitute "control shares," as defined under the MGCL. Our bylaws provide that we are not bound by the control share acquisition statute. However, our board of trustees may opt to make the statute applicable to us at any time, and may do so on a retroactive basis.

**We depend on the business relationships and experience of Gary M. Holloway, Sr., the loss of whom could threaten our ability to execute our strategies.**

We depend on the services of Gary M. Holloway, Sr., our president, chief executive officer and chairman of our board of trustees, to carry out our business strategies. If we were to lose Mr. Holloway, it may be more difficult to locate attractive acquisition targets and manage the properties that we acquire. Additionally, as we expand, we will continue to need to attract and retain qualified additional senior executive officers. The loss of the services of any of our senior executive officers, or our inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business and financial results.

**Certain of our executive officers have agreements that provide them with benefits in the event their employment is terminated by us without cause, by the executive for good reason, or under certain circumstances following a change of control of our company.**

We have entered into agreements with certain of our executive officers that provide them with severance benefits if their employment is terminated by us without cause, by them for good reason

(which includes, among other reasons, failure to be elected to the board with respect to Mr. Holloway's agreement, and any election by us not to renew our agreements with Messrs. Holloway, Robinson and Coyle), or under certain circumstances following a change of control of our company. Certain of these benefits and the related tax indemnity could prevent or deter a change of control of our company that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders.

**Our board of trustees may alter our investment policies at any time without shareholder approval, and the alteration of these policies may adversely affect our financial performance.**

Our major policies, including our policies and practices with respect to investments, financing, growth, debt, capitalization, REIT qualification and distributions, are determined by our board of trustees. Our board of trustees may amend or revise these and other policies from time to time without a vote of our shareholders. Accordingly, our shareholders will have limited control over changes in our policies.

We have set a targeted range for the amount of indebtedness that we incur from time to time. This target ratio may be amended or waived at any time without shareholder approval and without notice to our shareholders. In addition, our declaration of trust and bylaws do not limit the amount of indebtedness that we or our operating partnership may incur. If we become highly leveraged, then the resulting increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and harm our financial condition.

**Through a wholly owned subsidiary, we are the sole general partner of our operating partnership, and, should the subsidiary be disregarded, we could become liable for the debts and other obligations of our operating partnership beyond the amount of our investment.**

We are the sole general partner of our operating partnership, GMH Communities, LP, through our wholly owned subsidiary, GMH Communities GP Trust, a Delaware statutory trust, and we also owned units of limited partnership interest in our operating partnership equal to 48.0% of the total partnership interests in our operating partnership as of September 19, 2005. If GMH Communities GP Trust were disregarded as the general partner, we would be liable for our operating partnership's debts and other obligations. In such event, if our operating partnership is unable to pay its debts and other obligations, we will be liable for such debts and other obligations beyond the amount of our investment in our operating partnership. These obligations could include unforeseen contingent liabilities.

#### *Risks Relating to Real Estate Investments*

**Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our targeted properties and harm our financial condition.**

Real estate investments are relatively illiquid. Our ability to quickly sell or exchange any of our student housing properties or military housing privatization projects in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value for any property that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations.

**Our targeted properties may not achieve forecasted results or we may be limited in our ability to finance future acquisitions, which may harm our financial condition and operating results, and we may not be able to make the distributions required to maintain our REIT status.**

Acquisitions and developments entail risks that the properties will fail to perform in accordance with expectations and that estimates of the costs of improvements necessary to acquire, develop and

manage properties will prove inaccurate, as well as general investment risks associated with any new real estate investment. We anticipate that acquisitions and developments will largely be financed through externally generated funds such as borrowings under credit facilities and other secured and unsecured debt financing and from issuances of equity securities. Because we must distribute at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and by excluding any net capital gain, each year to maintain our qualification as a REIT, our ability to rely upon income from operations or cash flow from operations to finance our growth and acquisition activities will be limited. Accordingly, if we are unable to obtain funds from borrowings or the capital markets to finance our acquisition and development activities, our ability to grow would likely be curtailed, amounts available for distribution to shareholders could be adversely affected and we could be required to reduce distributions, thereby jeopardizing our ability to maintain our status as a REIT.

Newly-developed or newly-renovated properties do not have the operating history that would allow our management to make objective pricing decisions in acquiring these properties. The purchase prices of these properties will be based in part upon projections by management as to the expected operating results of such properties, subjecting us to risks that these properties may not achieve anticipated operating results or may not achieve these results within anticipated time frames. In addition, we have witnessed a compression of capitalization rates for the student housing properties that we are targeting under our investment criteria. Over the past 12 months, capitalization rates have declined, and therefore we may be unable to continue to purchase student housing properties at attractive capitalization rates.

**If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose investment capital and anticipated profits.**

We have general liability insurance that provides coverage for bodily injury and property damage to third parties resulting from our ownership of the properties that are leased to, and occupied by, our residents. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, wars and acts of terrorism, that may be uninsurable or not insurable at a price we or our residents can afford. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impracticable to use insurance proceeds to replace a property after it has been damaged or destroyed. Under these circumstances, the insurance proceeds we receive might not be adequate to restore our economic position with respect to the affected property. If any of these or similar events occur, it may reduce our return from the property and the value of our investment.

**Capital expenditures for property renovations may be greater than forecasted and may adversely impact rental payments by our residents and our ability to make distributions to shareholders.**

Properties, particularly those that consist of older structures, have an ongoing need for renovations and other capital improvements, including periodic replacement of furniture, fixtures and equipment. Renovation of properties involves certain risks, including the possibility of environmental problems, construction cost overruns and delays, uncertainties as to market demand or deterioration in market demand after commencement of renovation and the emergence of unanticipated competition from other properties. All of these factors could adversely impact rental payments by our residents, have a material adverse effect on our financial condition and results of operations, and adversely affect our ability to make distributions to our shareholders.

**All of our student housing properties are subject to property taxes, and some of our military housing properties may be subject to property taxes. If these taxes were to be significantly increased by applicable authorities in the future, our operating results and ability to make distributions to our shareholders would be adversely affected.**

Our student housing properties are subject to real and personal property taxes, and some of our military housing properties may be subject to real and personal property taxes, that may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. As the owner of the student housing properties and a member of or partner in the joint venture entity that owns the military housing privatization projects that cover military housing properties, we will be responsible, in whole or in part, for payment of the taxes to the government. Increases in property tax rates may adversely affect our operating results and our ability to make expected distributions to our shareholders.

**Our performance and the value of our common shares will be affected by risks associated with the real estate industry.**

Our ability to make expected dividend payments to our shareholders and the value of our common shares depend largely on our ability to generate cash revenues in excess of expenses, debt obligations and capital expenditure requirements. Factors that may adversely affect our ability to generate cash revenues include:

changes in the national, regional and local economic climate;

rising level of interest rates;

local conditions such as an oversupply of, or a reduction in demand for, student and military housing;

increased operating costs, including insurance premiums, utilities and real estate taxes;

attractiveness of our properties to residents;

costs of complying with changes in governmental regulations; and

competition from other real estate developers of student housing and companies pursuing the award of future military housing privatization projects.

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

**As the owner and lessor of real estate, we are subject to risks under environmental laws, the cost of compliance with which, and any violation of which, could materially adversely affect us.**

Our operating expenses could be higher than anticipated due to the cost of complying with existing and future environmental and occupational health and safety laws and regulations. Various environmental laws may impose liability on a current or prior owner or operator of real property for removal or redemption of hazardous or toxic substances. Current or prior owners or operators may also be liable for government fines and damages for injuries to persons, natural resources and adjacent property. These environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence or disposal of the hazardous or toxic substances. The cost of complying with environmental laws could materially adversely affect amounts available for distribution to our shareholders and could exceed the value of all of our properties. In addition, the presence of hazardous or toxic substances, or the failure of our residents to properly dispose of or remediate such

substances, may adversely affect our residents or our ability to use, sell or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenue and our financing ability. We intend to obtain Phase I environmental assessments on any properties we acquire, manage or develop. However, even if the Phase I environmental reports do not reveal any material environmental contamination, it is possible that material environmental liabilities may exist of which we are unaware.

Although the leases for our student housing properties generally will require our student residents to comply with laws and regulations governing their operations, and to indemnify us for certain environmental liabilities that they create, the scope of their obligations may be limited. We cannot assure you that our student residents or their guarantors will be able to fulfill their indemnification obligations. In addition, environmental and occupational health and safety laws constantly are evolving, and changes in laws, regulations or policies, or changes in interpretations of the foregoing, could create liabilities where none exists today.

With regard to our military housing properties, the federal government will not indemnify us for any environmental liability on these properties. As a result, we may be exposed to substantial liability to remove or remediate hazardous or toxic substances, which could materially adversely affect our financial condition and results of operation.

**Future terrorist attacks in the U.S. could harm the demand for and the value of our properties.**

Future terrorist attacks in the U.S., such as the attacks that occurred on September 11, 2001, and other acts of terrorism or war, or threats of the same, could diminish the demand for and the value of our properties. The military bases at which we have privatization projects may be terrorist targets. Also, certain of our properties are near universities which contain well-known landmarks and may be perceived as more likely terrorist targets than similar, less recognizable properties. A decrease in demand in our markets would make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates.

Terrorist attacks also could directly impact the value of our properties through damage, destruction, loss, or increased security costs, and the availability of insurance for such acts may be limited or may cost more. If we receive casualty proceeds, we may not be able to reinvest such proceeds profitably or at all, and we may be forced to recognize taxable gain on the affected property.

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

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

**We may incur significant costs complying with other regulations.**

The properties in our portfolio are subject to various other federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. If we are not in

compliance with existing requirements, or if existing requirements change, we may have to make significant unanticipated expenditures that would materially and adversely affect us.

***Risks Relating to Our Common Shares and This Offering***

**We completed our initial public offering during the fourth quarter of 2004, and an active trading market for our common shares may not be sustained.**

Prior to the initial listing of our common shares on the New York Stock Exchange on October 28, 2004, there was not a public market for our common shares. An active trading market for our common shares may not be able to be sustained in the future.

**The market price and trading volume of our common shares may be volatile in the future.**

The market price of our common shares may be highly volatile and subject to wide fluctuations in the future. The stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies' operating performances. These broad market fluctuations could reduce the market price of our common shares. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations, which could lead to a material decline in the market price of our common shares. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur.

If the market price of our common shares declines significantly, you may be unable to resell your shares at or above the public offering price per share in this offering. We cannot assure you that the market price of our common shares will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common shares include:

the likelihood that an active market for our common shares will continue;

actual or anticipated variations in our operating results;

changes in our funds from operations or earnings estimates;

publication of research reports about us or the real estate industry;

increases in market interest rates may lead purchasers of our common shares to demand a higher dividend rate which, if our distributions do not rise, will mean our share price will fall;

changes in market valuations of similar companies;

adverse market reaction to any increased indebtedness we incur in the future;

additions or departures of key management personnel;

actions by institutional shareholders;

speculation in the press or investment community;

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general market and economic conditions; and

future offerings of debt securities, which would be senior to our common shares upon liquidation, and additional offerings of equity securities, which would dilute our existing shareholders and may be senior to our common shares for the purposes of dividend distributions, may adversely affect the market price of our common shares.

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In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes and series of preferred shares or common shares. Upon our liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common shares, or both. Our preferred shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares bear the risk of our future offerings reducing the market price of our common shares and diluting their share holdings in us.

### **Common shares eligible for future sale may have adverse effects on our share price.**

We cannot predict the effect, if any, of future sales of common shares, or the availability of shares for future sales, on the market price of our common shares. Sales of substantial amounts of common shares (including, as of September 19, 2005, up to 31,627,317 common shares issuable upon the conversion of units of our operating partnership and up to 5,762,694 common shares issuable upon exercise of the portion of a warrant jointly issued by us and our operating partnership to an affiliate of Vornado Realty Trust in connection with our formation transactions), or the perception that these sales could occur, may adversely affect prevailing market prices for our common shares. Vornado Realty L.P., Vornado CCA Gainesville, LLC and FW Military Housing LLC have registration rights with respect to common shares issuable upon redemption of limited partnership units in our operating partnership, which rights require that we register these shares for resale. Under the terms of our operating partnership agreement, units of limited partnership interest in our operating partnership issued prior the date on which we become eligible to register securities on a Registration Statement on Form S-3 will be registered as soon as practicable when we become eligible to use such form in late October 2005. Our operating partnership agreement also requires that the common shares eligible for issuance upon redemption of limited partnership units issued at any time thereafter also be registered by us. See "*Shares Eligible for Future Sale Registration Rights*." In addition, we filed a registration statement with respect to the 2,000,000 common shares authorized for issuance under our Equity Incentive Plan in connection with the grant of restricted common share awards, option grants or other equity-based awards authorized by the Compensation Committee of our board of trustees. We also may issue from time to time additional common shares or units of our operating partnership in connection with the acquisition of properties and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common shares or the perception that these sales could occur may adversely effect the prevailing market price for our common shares. In addition, the sale of these shares could impair our ability to raise capital through a sale of additional equity securities.

### **The market value of our common shares could decrease based on our performance and market perception and conditions.**

The market value of our common shares may be based primarily upon the market's perception of our growth potential and current and future cash dividends, and may be secondarily based upon the market value of our underlying assets. We expect the market price of our common shares to be influenced by the dividend on our common shares relative to market interest rates. Rising interest rates may lead potential buyers of our common shares to expect a higher dividend rate, which would adversely affect the market price of our common shares. In addition, rising interest rates would result

in increased interest expense on our variable rate debt and adversely affect cash flow and our ability to service our indebtedness and make distributions to our shareholders.

**In addition to the underwriting discounts to be received by Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, affiliates of these underwriters will receive benefits from this offering.**

Affiliates of Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, each of which is an underwriter in this offering, are participating lenders under our credit facility. We intend to use all of the net proceeds from this offering to repay outstanding indebtedness under our credit facility, which was \$106.0 million as of September 19, 2005, and, upon application of the net proceeds from this offering, each lender will receive its proportionate share of the amount repaid. See "*Use of Proceeds*."

***Tax Risks Associated with Our Status as a REIT***

**If we fail to qualify for or lose our tax status as a REIT, we would be subject to significant adverse consequences and the value of our common shares may decline.**

We intend to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Code. We elected to be taxed as a REIT upon the filing of our tax return for the taxable year ended December 31, 2004. Our qualification as a REIT depends, and will continue to depend, on our ability to meet various requirements concerning, among other things, the ownership of our outstanding common shares, the nature of our assets, the sources of our income and the amount of our distributions to our shareholders. The REIT qualification requirements are extremely complex, and the interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, there is no assurance that we will be successful in operating so as to qualify as a REIT. We sought a private letter ruling from the Internal Revenue Service relating to (i) amounts received by us as reimbursement for personnel costs and for shared personnel and administrative overhead, and (ii) certain cleaning services provided at our student housing properties. We subsequently decided to withdraw our ruling request as to the issues covered in clause (ii). Our request for a ruling on the issues covered in clause (i) is still pending. The failure to obtain a favorable ruling on any of the issues covered by the ruling request, however, will not have a material impact on our structure or our business. At any time, new laws, regulations, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our board of trustees to revoke the REIT election, which it may do without shareholder approval.

If we revoke, lose or fail to achieve our REIT status, we will face serious tax consequences that will substantially reduce the funds available for distribution because:

we would not be allowed a deduction for distributions to shareholders in computing our taxable income;

we would be subject to federal income tax at regular corporate rates, and we might need to borrow money or sell assets in order to pay any such tax;

we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

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In addition, if we fail to qualify as a REIT, we will not be required to pay dividends to shareholders, and all dividends to shareholders will be subject to tax to the extent of our current and accumulated earnings and profits. As a result of all of these factors, a failure to achieve, or a loss or revocation of our REIT status could have a material adverse effect on our financial condition and results of operations and would adversely affect the value of our common shares.

In addition, in circumstances where we fail to qualify as a REIT, it is likely that we will also have failed to comply with the restrictions on our activities and those of the operating partnership that we agreed to with Vornado Realty L.P., in which case we would also be liable for any damages incurred by Vornado Realty L.P., certain of its affiliates and its transferees and assignees, together with certain of their affiliates, as a result of such failure.

### **To maintain our REIT status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.**

In order to maintain our qualification as a REIT, we are required under the Code to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we will be compelled to rely on third party sources to fund our capital needs. We may not be able to obtain this financing on favorable terms or at all. Any additional indebtedness that we incur will increase our leverage. Our access to third party sources of capital depends, in part, on:

general market conditions;

our current debt levels and the number of properties subject to encumbrances;

our current performance and the market's perception of our growth potential;

our cash flow and cash dividends; and

the price of our common shares.

If we cannot obtain capital from third party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or make the cash dividends to our shareholders necessary to maintain our qualification as a REIT.

### **Failure to make required distributions would subject us to tax.**

In order to qualify as a REIT, each year we must distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and by excluding any net capital gain. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of:

85% of our ordinary income for that year;

95% of our capital gain net income for that year; and

100% of our undistributed taxable income from prior years.

We intend to pay out our income to our shareholders in a manner that satisfies the distribution requirement and avoids corporate income tax and the 4% nondeductible excise tax. We may be required to make distributions to shareholders at disadvantageous times or when we do not have funds



readily available for distribution. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in a particular year. In the future, we may borrow to pay distributions to our shareholders and the limited partners of our operating partnership. Any funds that we borrow would subject us to interest rate and other market risks.

**Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.**

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares. As a result, we may be required to forgo attractive business or investment opportunities in order to meet these tests. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

**We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common shares.**

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a shareholder. Effective for taxable years beginning after December 31, 2002, the Jobs and Growth Tax Relief Reconciliation Act of 2003, which we refer to as the Jobs and Growth Tax Act, generally reduces the maximum rate of tax applicable to most domestic noncorporate taxpayers on dividend income from regular C corporations to 15%. This reduces substantially the so-called "double taxation" (that is, taxation at both the corporate and shareholder levels) that has generally applied to corporations that are not taxed as REITs. Generally, dividends from REITs will not qualify for the dividend tax reduction because, as a result of the dividends paid deduction to which REITs are entitled, REITs generally do not pay corporate level tax on income that they distribute to shareholders. The implementation of the Jobs and Growth Tax Act may cause domestic noncorporate investors to view stocks of non-REIT corporations as more attractive relative to shares of REITs than was the case previously. We cannot predict what impact this legislation may have on the value of our common shares.

**The income earned by our taxable REIT subsidiaries will be subject to federal income tax.**

We own two active taxable REIT subsidiaries that earn income that, if earned by us outside of a taxable REIT subsidiary, would jeopardize our status as a REIT. For example, our taxable REIT subsidiaries earn fees from developing, constructing, renovating and managing military housing properties and providing management services to certain third party owners of student housing, as well as fees for providing certain noncustomary services for our student housing properties, that would not be qualifying income for purposes of the REIT income tests. A taxable REIT subsidiary is taxed as a regular C corporation. The income from the activities described above and other income earned by our taxable REIT subsidiaries is therefore subject to a corporate level tax, notwithstanding that we qualify as a REIT.

**We may not conduct all of our third party student housing management business through a taxable REIT subsidiary, which could jeopardize our ability to comply with one of the REIT gross income requirements.**

In general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% REIT gross income test, other types of interest and

dividends, gain from the sale or disposition of shares or securities, or any combination of these. Fees that we earn from providing property management services to third party owners of student housing properties do not constitute qualifying income for purposes of the 95% REIT gross income test. We conduct all (or as nearly all as possible) of our third party student housing property management business through a taxable REIT subsidiary. The fees we earn from that business other than through a taxable REIT subsidiary, together with all other income that does not constitute qualifying income under the 95% gross income test, cannot exceed 5% of our total gross income. If we fail to manage our business in a manner that allows us to satisfy the 95% REIT gross income test, the income exceeding this 95% threshold would be taxed at 100%, and we could lose our REIT qualification which would, among other things, cause all of our earnings to be subject to federal income tax and would reduce our cash available for distributions to shareholders.

**To maintain our REIT status, we will be required to comply with a number of requirements relating to the relative values of our assets, and we may be required to limit activities conducted through a taxable REIT subsidiary.**

As a REIT we will be required to satisfy, as of the close of each quarter of each of our taxable years, a number of requirements relating to the relative values of our assets, including requirements that not more than 25% of the value of our total assets be represented by assets other than real estate assets, cash and cash items and government securities and that not more than 20% of the value of our total assets be represented by securities of taxable REIT subsidiaries. We intend to monitor our compliance with the various asset test requirements. As a number of these requirements are based on value, however, it is possible that the IRS could successfully argue for a value of our nonqualifying assets that was such that we would fail to satisfy a REIT asset requirement. In such circumstances, we would fail to qualify as a REIT for the taxable year of such failure and the following four taxable years.

To maintain our status as a REIT, no more than 20% of the value of our total assets may consist of the securities of our taxable REIT subsidiaries, such as GMH Military Housing, LLC and College Park Management TRS, Inc. Certain of our activities, such as development, construction, renovation, and management services, must be conducted through a taxable REIT subsidiary in order for us to maintain our REIT status. In addition, certain non-customary services generally must be provided by a taxable REIT subsidiary or an independent contractor from which we do not derive any income. If the revenues from such activities create a risk that the value of our interest in our taxable REIT subsidiaries, based on revenues or otherwise, approach the 20% threshold, we will be forced, in order to maintain our REIT status, to curtail such activities or take other steps to remain under the 20% threshold. Since our formation transactions, the development, construction, renovation, and management services provided to our military housing privatization projects and the management services provided to certain third party owners of student housing have been conducted through taxable REIT subsidiaries. Consequently, income earned by these taxable REIT subsidiaries is subject to corporate income tax.

**We may be subject to tax if our taxable REIT subsidiaries provide services to our tenants other than on an arm's length basis.**

If our taxable REIT subsidiaries provide services to our tenants for other than an arm's length charge (payable from the tenants or from us), we would be subject to a 100% tax on the difference between the amount in fact derived by the taxable REIT subsidiary and the arm's length charge. In addition, if our taxable REIT subsidiaries pay more than an arm's length charge to our operating partnership, GMH Communities Trust or any of their affiliates for services or overhead provided to the taxable REIT subsidiaries, we would be subject to a 100% tax on the difference between the amount in fact paid by the taxable REIT subsidiary and the arm's length charge.

**A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, operating or financial performance, strategic plans and objectives, or regulatory or competitive environments. Statements regarding the following subjects are forward-looking by their nature:

our ability to successfully implement our business strategy, including our ability to acquire and manage student housing properties and to secure and operate military housing privatization projects;

our projected operating results and financial condition;

completion of any of our targeted acquisitions or development projects within our expected timeframe or at all;

our ability to obtain future financing arrangements on terms acceptable to us, or at all;

estimates relating to, and our ability to pay, future dividends;

our ability to qualify as a REIT for federal income tax purposes;

our understanding of our competition, market opportunities and trends;

projected timing and amounts of capital expenditures; and

the impact of technology on our properties, operations and business.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Factors that could cause actual results to differ materially from our management's current expectations include, but are not limited to:

the factors referenced in the sections of this prospectus titled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Our Business*;"

changes in our business strategy, including acquisition and development activities;

availability, terms and deployment of capital, including equity and debt financing;

availability of qualified personnel;

unanticipated costs associated with the acquisition and integration of our student housing property acquisitions and development projects, and military housing privatization projects;

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the effects of military base realignment and closures on installations covered by our military housing privatization projects;

high leverage on the entities that own the military housing privatization projects;

reductions in government military spending;

changes in student population enrollment at colleges and universities or adverse trends in the off-campus student housing market;

changes in the student and military housing industry, interest rates or the general economy;

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changes in local real estate conditions (including changes in rental rates and the number of competing properties) and the degree and nature of our competition;

failure to lease unoccupied space in accordance with management's projections;

potential liability under environmental or other laws; and

the existence of complex regulations relating to our status as a REIT and the adverse consequences of our failure to qualify as a REIT.

When we use the words "believe," "expect," "may," "potential," "anticipate," "estimate," "plan," "will," "could," "intend" or similar expressions, we intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent otherwise required by law.

### USE OF PROCEEDS

We intend to use the net proceeds from this offering of approximately \$93.4 million (\$107.7 million if the underwriters exercise in full their over-allotment option), after deducting the underwriters' discount, the fee paid to Banc of America Securities LLC and the estimated expenses we expect to incur in connection with this offering, to repay an equal amount of outstanding indebtedness under our credit facility, which matures on November 4, 2007 and, as of September 19, 2005, bore interest at rates ranging from 5.57% to 5.91%. Amounts outstanding under our credit facility were incurred to fund the payment of dividend distributions to our shareholders, and to pay a portion of the purchase price for the acquisition of certain of our student housing properties.

In addition, we may reborrow amounts repaid under our credit facility for the acquisition of additional student housing properties, military housing privatization projects, payment of our distributions to our shareholders and for general corporate purposes. Affiliates of Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, each of which is an underwriter in this offering, are participating lenders under our credit facility.

**CAPITALIZATION**

The following table sets forth:

our actual capitalization, on a consolidated basis, as of June 30, 2005; and

our pro forma capitalization, on a consolidated basis, as of June 30, 2005, as adjusted to give effect to (i) the acquisition of seven student housing properties and two undeveloped parcels of land that we have acquired, or will acquire, subsequent to June 30, 2005, the related financing and the refinancing of a student housing property subsequent to June 30, 2005, (ii) the sale of \$100.0 million of our common shares in this offering, which we expect will raise net proceeds, after deducting the underwriting discount and other estimated expenses we expect to incur in connection with this offering, of approximately \$93.4 million, and (iii) the anticipated application of the net proceeds from this offering as described in "Use of Proceeds."

This table should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical and pro forma financial information and related notes included elsewhere in this prospectus.

|                                                                                                                                                                                | As of June 30, 2005    |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|
|                                                                                                                                                                                | Actual                 | Pro Forma As Adjusted |
|                                                                                                                                                                                | (dollars in thousands) |                       |
| Cash and cash equivalents                                                                                                                                                      | \$ 16,404              | \$ 11,209             |
| Debt:                                                                                                                                                                          |                        |                       |
| Notes payable                                                                                                                                                                  | 551,100                | 666,138               |
| Line of credit                                                                                                                                                                 | 71,000                 | 41,676                |
| Total debt                                                                                                                                                                     | 622,100                | 707,814               |
| Minority interest                                                                                                                                                              | 201,558                | 201,558               |
| Beneficiaries' equity:                                                                                                                                                         |                        |                       |
| Common shares, \$0.001 par value,<br>500,000,000 shares authorized, 30,350,989 shares<br>issued and outstanding,<br>and 37,100,989 shares pro forma as adjusted <sup>(1)</sup> | 30                     | 37                    |
| Preferred shares, \$0.001 par value,<br>100,000,000 shares authorized, no shares issued<br>and outstanding, and no shares pro forma as<br>adjusted                             |                        |                       |
| Additional paid in capital                                                                                                                                                     | 200,372                | 293,798               |
| Cumulative earnings                                                                                                                                                            | 3,630                  | 3,630                 |
| Cumulative dividends                                                                                                                                                           | (18,676)               | (18,676)              |
| Total beneficiaries' equity                                                                                                                                                    | 185,356                | 278,789               |
| Total capitalization                                                                                                                                                           | \$ 1,025,418           | \$ 1,199,370          |

(1)

As of June 30, 2005, excludes 31,627,317 shares issuable upon redemption of outstanding units of our operating partnership, and up to 5,762,694 common shares issuable upon exercise of the portion of a warrant jointly issued by us and our operating partnership to an affiliate of Vornado Realty Trust in connection with our formation transactions.



# PRICE RANGE OF COMMON SHARES AND DIVIDEND POLICY

Our common shares are traded on the New York Stock Exchange under the symbol "GCT." Our common shares commenced trading on October 28, 2004. The following table sets forth, for the indicated periods, the high and low sales prices of our common shares as quoted on the New York Stock Exchange and the dividends we have paid to our shareholders.

|                                                             | Price Range of<br>Common Shares |          | Dividend Paid            |  |
|-------------------------------------------------------------|---------------------------------|----------|--------------------------|--|
|                                                             | High                            | Low      | Per Share                |  |
| Fiscal year ended December 31, 2004:                        |                                 |          |                          |  |
| Fourth Quarter (October 28, 2004 through December 31, 2004) | \$ 14.15                        | \$ 12.00 | \$ 0.1600                |  |
| Fiscal year ending December 31, 2005:                       |                                 |          |                          |  |
| First Quarter                                               | \$ 14.00                        | \$ 11.30 | \$ 0.2275                |  |
| Second Quarter                                              | \$ 14.59                        | \$ 11.34 | \$ 0.2275                |  |
| Third Quarter (July 1, 2005 through September 16, 2005)     | \$ 15.65                        | \$ 13.64 | \$ 0.2275 <sup>(1)</sup> |  |

(1)

Payable on October 14, 2005 to shareholders of record as of the close of business on September 22, 2005.

On September 16, 2005, the last reported sale price of our common shares on the New York Stock Exchange was \$14.82.

On September 16, 2005, there were approximately 25 holders of record of our common shares. This number does not include shareholders whose shares are held of record by a brokerage house or clearing agency, but does include any such brokerage house or clearing agency as one record holder.

We intend to pay regular quarterly distributions to our shareholders. Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income determined without regard to the dividends-paid deduction and excluding any net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income, including capital gains. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and we may need to borrow funds to pay some distributions. For more information, see the section of this prospectus titled "*Federal Income Tax Considerations of Our Status as a REIT.*"

Our ability to fund these distributions will depend, in part, upon cash flow from our student housing properties, our management contracts regarding student housing properties owned by others, from management, construction/renovation and development fees and preferred equity returns under our military housing privatization projects, and the continued successful leasing of our student housing portfolio and the acquisition of additional student housing properties and military housing privatization projects. The timing and amount of our anticipated cash flows is inherently uncertain. To the extent these sources are insufficient, we intend to fund these distributions with our working capital or borrowings under our three-year \$150.0 million revolving line of credit with a consortium of lenders, as we have done with respect to the dividends we have paid since the completion of our initial public offering. Availability under this credit facility is limited to a borrowing base amount equal to the sum of 60% (65% through December 31, 2005) of the value of an unencumbered asset pool (which as of June 30, 2005 consisted of seven student housing properties, and in no event may contain fewer than five student housing properties) as of the end of the previous quarter and 50% of the annualized value of our cash flow from the management of military housing privatization projects and student housing properties in the previous quarter, provided that the total cash flow attributable to annualized fees from the management, construction and development of the military housing privatization projects and student housing properties does not exceed 50% of the borrowing base. As of September 19, 2005, we

had approximately \$106.0 million in funds drawn from the credit facility to use for interim acquisition financing and for working capital and other general corporate purposes, and an additional \$44.0 million available for borrowing under the facility (based on the borrowing base calculation as of June 30, 2005). See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources*." In addition, our amended revolving credit facility contains covenants that restrict our ability to pay dividends to our shareholders in 2005 in excess of 110% of our funds from operations, and 95% of funds from operations after 2005. The credit facility also contains financial covenants that, among other things, requires that we:

maintain a total leverage against the unencumbered asset pool, as of the end of each fiscal quarter, equal to or less than 65% through December 31, 2005, and no less than 60% commencing with the first quarter in 2006;

comply with the following ratios: (i) fixed charge coverage ratio equal to or greater than 1.75x; (ii) interest coverage ratio equal to or greater than 2.00x; and (iii) unsecured interest coverage ratio equal to or greater than 2.25x; and

incur no more than \$25.0 million in secured recourse debt, and no more than \$125.0 million in unsecured recourse debt; and maintain a consolidated tangible net worth of at least \$275.0 million plus an amount equal to 75% of the net proceeds from any equity issuances subsequent to the closing date of the facility.

Distributions made by us will be authorized and determined by our board of trustees out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law or contained in our debt instruments or agreements or in terms of any future preferred shares. Since our initial public offering, our distributions have exceeded our then current and accumulated earnings and profits as determined for federal income tax purposes due to non-cash expenses, primarily depreciation and amortization charges that we have incurred, and we expect them to continue to do so in the near term. Therefore, a portion of these distributions will represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a taxable U.S. shareholder under current federal income tax law to the extent those distributions do not exceed the shareholder's adjusted tax basis in his or her common shares, but rather will reduce the adjusted basis of the common shares. Therefore, the gain (or loss) recognized on the sale of the common shares or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. shareholder's adjusted tax basis in his or her common shares, they generally will be treated as a capital gain realized from the taxable disposition of those shares.

We expect that approximately 35% of our estimated distributions for the year ending December 31, 2005 will represent a return of capital for federal income tax purposes. To the extent not inconsistent with maintaining our REIT status, we may retain accumulated earnings of our taxable REIT subsidiaries in such subsidiary. The percentage of our shareholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to our shareholders, see "*Federal Income Tax Considerations of Our Status as a REIT*."

For the period from October 28, 2004 through December 31, 2004, we declared our initial partial quarterly dividend of \$0.16 per common share, payable to shareholders of record on December 31, 2004. We distributed this dividend on January 14, 2005. At the same time, our operating partnership paid a distribution of \$0.16 per unit to holders of limited partnership interests in our operating partnership. With respect to this distribution, \$0.109319 of the \$0.16 per common share represented a return of capital for federal income tax purposes. In addition, in March 2005 and June 2005, we declared quarterly dividends of \$0.2275 per outstanding common share. The March dividend of approximately \$6.9 million was paid in April 2005 to shareholders of record on March 30, 2005. The

June dividend of approximately \$6.9 million was paid in July 2005 to shareholders of record on June 29, 2005. On August 31, 2005, we declared a quarterly dividend of \$0.2275 per common share, payable on October 14, 2005 to shareholders of record as of the close of business on September 22, 2005.

We cannot assure you that we will continue to have cash available for distributions at historical levels or at all. Any distributions we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our student housing properties, revenues from management and consulting fees in connection with management services that we will provide for student housing properties owned by others, revenues from our military housing privatization projects, our operating expenses, interest expense and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see "*Risk Factors*."

## SELECTED FINANCIAL DATA

The selected financial data presented below under the captions "*Operating Data*" and "*Balance Sheet Data*" as of December 31, 2004, and for the period November 2, 2004 to December 31, 2004, was derived from the consolidated financial statements of GMH Communities Trust and its subsidiaries. The selected financial data presented below under the captions "*Operating Data*" for each of the three years in the period ended December 31, 2003, and for the period January 1, 2004 to November 1, 2004 and "*Balance Sheet Data*" as of December 31, 2003 and 2002, was derived from the combined financial statements of College Park Management, Inc., GMH Military Housing, LLC and its wholly owned subsidiaries, 353 Associates, LP and Corporate Flight Services, LLC, collectively referred to with our operating partnership as our predecessor entities and presented elsewhere in this prospectus as the financial statements of The GMH Predecessor Entities. The selected financial data presented below under the captions "*Operating Data*" and "*Balance Sheet Data*" as of and for the six months ended June 30, 2005 and 2004 was derived from the unaudited financial statements of GMH Communities Trust and our predecessor entities, respectively, and include all adjustments of a normal recurring nature that we consider necessary for a fair presentation of our financial condition and results of operations as of those dates and for those periods under generally accepted accounting principles. The unaudited pro forma financial information presented below under the captions "*Operating Data*" and "*Balance Sheet Data*" as of and for the six months ended June 30, 2005, and for the year ended December 31, 2004, was derived from our audited and unaudited financial statements and those of our predecessor entities and are presented as if this offering and the application of the net proceeds from this offering had all occurred on June 30, 2005 for the pro forma balance sheet information and first day of the earliest period presented the pro forma operating information. The unaudited pro forma financial information does not assume the purchase of the student housing properties for which we have under a non-binding letter of intent to acquire, as we have not yet completed our due diligence investigation and, thus, have not determined that they are probable. The selected financial data presented below under the captions "*Operating Data*" for the year ended December 31, 2000 and "*Balance Sheet Data*" as of December 31, 2001 and 2000 was derived from the unaudited combined financial statements of our predecessor entities and includes adjustments, consisting of a normal recurring nature that we consider necessary for a fair presentation of our financial condition and results of operations as of those dates and for those periods under generally accepted accounting principles.

The historical financial information for GMH Communities Trust or our predecessor entities included herein and set forth elsewhere in this prospectus are not necessarily indicative of our future performance. In addition, since the information presented below is only a summary and does not provide all of the information contained in our financial statements and those of our predecessor entities, including related notes, you should read "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," the financial statements, including related notes and "*Unaudited Pro Forma Financial Information*," each contained elsewhere in this prospectus. Pro forma information has been compiled from historical financial and other information, but does not purport to represent what our financial position or results of operations actually would have been had the transactions occurred on the dates indicated, or to project our financial performance for any future period.

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|                                                                                                        | For the<br>Six Months Ended<br>June 30, |                 |                                 | For the<br>Year Ended December 31, |                                |                      |        |          |          |  |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------|---------------------------------|------------------------------------|--------------------------------|----------------------|--------|----------|----------|--|
|                                                                                                        |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
|                                                                                                        | Pro Forma<br>2005                       | Company<br>2005 | Predecessor<br>Entities<br>2004 | Pro Forma<br>2004 <sup>(1)</sup>   | Company<br>2004 <sup>(1)</sup> | Predecessor Entities |        |          |          |  |
|                                                                                                        |                                         |                 |                                 |                                    |                                | 2003                 | 2002   | 2001     | 2000     |  |
| (dollars in thousands)                                                                                 |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
| Operating Data:                                                                                        |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
| Revenue:                                                                                               |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
| Rent and other property income                                                                         | \$ 76,031                               | \$ 55,676       | \$ 270                          | \$ 133,444                         | \$ 25,650                      | \$ 636               | \$ 736 | \$ 725   | \$ 732   |  |
| Expense reimbursements:                                                                                |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
| Related party                                                                                          | 21,590                                  | 21,732          | 8,256                           | 31,795                             | 33,309                         | 3,273                | 249    | 90       |          |  |
| Third party                                                                                            | 2,577                                   | 2,577           | 3,280                           | 6,992                              | 7,203                          | 7,318                | 3,462  | 2,902    | 36       |  |
| Management fees:                                                                                       |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
| Related party                                                                                          | 3,410                                   | 3,513           | 2,185                           | 3,442                              | 4,355                          | 3,892                | 6,578  | 7,426    | 5,521    |  |
| Third party                                                                                            | 1,651                                   | 1,651           | 3,320                           | 3,913                              | 3,986                          | 2,624                | 1,983  | 1,291    | 440      |  |
| Other fee income related party                                                                         | 7,543                                   | 7,543           | 1,211                           | 9,143                              | 8,460                          | 842                  | 372    | 432      |          |  |
| Other income                                                                                           | 133                                     | 133             | 90                              | 887                                | 915                            | 230                  | 295    | 202      | 69       |  |
| Total revenue                                                                                          | 112,935                                 | 92,825          | 18,612                          | 189,616                            | 83,878                         | 18,815               | 13,675 | 13,068   | 6,798    |  |
| Expenses:                                                                                              |                                         |                 |                                 |                                    |                                |                      |        |          |          |  |
| Property operating expenses                                                                            | 29,890                                  | 22,594          | 5,620                           | 65,015                             | 22,755                         | 9,218                | 7,799  | 5,173    | 129      |  |
| Reimbursed expenses                                                                                    | 24,167                                  | 24,309          | 11,536                          | 38,787                             | 40,512                         | 10,591               | 3,711  | 2,992    | 36       |  |
| Real estate taxes                                                                                      | 6,033                                   | 4,575           | 43                              | 10,517                             | 1,887                          | 83                   | 79     | 29       |          |  |
| Administrative expenses                                                                                | 5,673                                   | 5,673           | 697                             | 10,752                             | 4,439                          | 1,405                | 295    | 688      | 360      |  |
| Profit interests and employee initial public offering bonus expense                                    |                                         |                 |                                 |                                    | 37,502                         |                      |        |          |          |  |
| Depreciation and amortization                                                                          | 22,358                                  | 14,844          | 418                             | 39,886                             | 7,154                          | 822                  | 821    | 814      | 83       |  |
| Interest                                                                                               | 18,270                                  | 12,247          | 157                             | 35,567                             | 6,072                          | 396                  | 542    | 814      | 365      |  |
| Total operating expenses                                                                               | 106,391                                 | 84,242          | 18,471                          | 200,524                            | 120,321                        | 22,515               | 13,247 | 10,510   | 973      |  |
| Income (loss) before equity in earnings of unconsolidated entities, minority interest and income taxes | 6,544                                   | 8,583           | 141                             | (10,908)                           | (36,443)                       | (3,700)              | 428    | 2,558    | 5,825    |  |
| Equity in earnings of unconsolidated entities                                                          |                                         |                 |                                 |                                    |                                | 751                  |        |          |          |  |
| Income (loss) before minority interest and income taxes                                                | 6,544                                   | 8,583           | 141                             | (10,908)                           | (36,443)                       | (2,949)              | 428    | 2,558    | 5,825    |  |
| Minority interest                                                                                      | 3,949                                   | 4,263           |                                 | (5,020)                            | 247                            |                      |        |          |          |  |
| Income (loss) before income taxes                                                                      | 2,595                                   | 4,320           | 141                             | (5,888)                            | (36,690)                       | (2,949)              | 428    | 2,558    | 5,825    |  |
| Income taxes                                                                                           | 938                                     | 938             |                                 | 312                                | 312                            |                      |        |          |          |  |
| Net income (loss)                                                                                      | \$ 1,657                                | \$ 3,382        | \$ 141                          | \$ (6,200)                         | \$ (37,002)                    | \$ (2,949)           | \$ 428 | \$ 2,558 | \$ 5,825 |  |

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|                                                    |    |            |    |            | For the<br>Year Ended December 31, |
|----------------------------------------------------|----|------------|----|------------|------------------------------------|
| Basic earnings per share <sup>(2)</sup>            | \$ | 0.04       | \$ | 0.11       | (0.17) \$                          |
| Diluted earnings per share <sup>(3)</sup>          | \$ | 0.04       | \$ | 0.11       | (0.16) \$                          |
| Weighted average common shares outstanding basic   |    | 37,100,989 |    | 30,350,989 | 37,100,989                         |
| Weighted average common shares outstanding diluted |    | 38,923,061 |    | 32,171,712 | 68,567,373                         |
|                                                    |    |            |    |            | 61,232,629                         |

- (1) The results of operations for the year ended December 31, 2004 reflect the results of operations of our predecessor entities for the period from January 1, 2004 through November 1, 2004, and the results of operations for the company, after completion of our initial public offering, for the period from November 2, 2004 through December 31, 2004.
- (2) Pro forma basic earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income divided by the number of common shares outstanding after this offering.
- (3) Pro forma diluted earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income (loss) divided by the number of common shares outstanding and common equivalent shares outstanding after this offering.
- (4) Basic and diluted earnings per share reflect our operations for the period November 2, 2004 to December 31, 2004. Net income for this period was \$251,000.

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| As of June 30,                                                            |                 |                                 |                   | As of December 31,                         |                      |            |          |          |
|---------------------------------------------------------------------------|-----------------|---------------------------------|-------------------|--------------------------------------------|----------------------|------------|----------|----------|
|                                                                           |                 |                                 |                   | Predecessor Entities                       |                      |            |          |          |
| Pro Forma<br>2005                                                         | Company<br>2005 | Predecessor<br>Entities<br>2004 | Company<br>2004   | 2003                                       | 2002                 | 2001       | 2000     |          |
| (dollars in thousands)                                                    |                 |                                 |                   |                                            |                      |            |          |          |
| <b>Balance Sheet Data:</b>                                                |                 |                                 |                   |                                            |                      |            |          |          |
| Real estate investments, at cost                                          | \$ 1,140,713    | \$ 957,348                      | \$ 638,635        | \$ 6,963                                   | \$ 7,100             | \$ 7,210   | \$ 7,268 |          |
| Corporate assets, net                                                     | 7,250           | 7,250                           | 6,894             | 11,384                                     | 6,963                | 7,100      | 7,210    | 7,268    |
| Cash and cash equivalents                                                 | 11,209          | 16,404                          | 529               | 60,926                                     | 515                  | 96         | 837      | 755      |
| Total assets                                                              | 1,225,517       | 1,046,370                       | 21,732            | 773,061                                    | 16,146               | 13,536     | 15,390   | 15,205   |
| Notes payable                                                             | 666,138         | 551,100                         | 10,533            | 370,007                                    | 10,977               | 11,806     | 12,552   | 12,588   |
| Line of credit                                                            | 41,676          | 71,000                          |                   |                                            |                      |            |          |          |
| Total liabilities                                                         | 745,170         | 659,456                         | 14,452            | 395,242                                    | 12,552               | 13,099     | 13,791   | 12,818   |
| Minority interest                                                         | 201,558         | 201,558                         | 182,118           |                                            |                      |            |          |          |
| Equity                                                                    | 278,789         | 185,356                         | 7,280             | 195,701                                    | 3,594                | 437        | 1,599    | 2,387    |
|                                                                           |                 |                                 |                   | <b>For the<br/>Year Ended December 31,</b> |                      |            |          |          |
| <b>For the<br/>Six Months Ended<br/>June 30,</b>                          |                 |                                 |                   |                                            |                      |            |          |          |
| Pro Forma<br>2005                                                         | Company<br>2005 | Predecessor<br>Entities<br>2004 | Pro Forma<br>2004 | Company<br>2004 <sup>(1)</sup>             | Predecessor Entities |            |          |          |
|                                                                           |                 |                                 |                   |                                            | 2003                 | 2002       | 2001     | 2000     |
| (dollars in thousands)                                                    |                 |                                 |                   |                                            |                      |            |          |          |
| <b>Funds From Operations (FFO)<sup>(2):</sup></b>                         |                 |                                 |                   |                                            |                      |            |          |          |
| Net income (loss)                                                         | \$ 1,657        | \$ 3,382                        | \$ 141            | \$ (6,200)                                 | \$ (37,002)          | \$ (2,949) | \$ 428   | \$ 2,558 |
| Adjustments:                                                              |                 |                                 |                   |                                            |                      |            |          |          |
| Plus minority interest                                                    | 3,949           | 4,263                           | (5,020)           | 247                                        |                      |            |          |          |
| Less net gain on sale of interests in joint venture                       |                 |                                 |                   |                                            | (751)                |            |          |          |
| Plus profits interests and employee initial public offering bonus expense |                 |                                 |                   | 37,502                                     |                      |            |          |          |
| Plus depreciation on real property                                        | 13,078          | 9,379                           | 26,157            | 4,043                                      |                      |            |          |          |
| Plus amortization of lease intangibles                                    | 8,973           | 5,230                           | 12,796            | 2,296                                      |                      |            |          |          |
| Funds from operations                                                     | \$ 27,657       | \$ 22,254                       | \$ 141            | \$ 27,733                                  | \$ 7,096             | \$ (3,700) | \$ 428   | \$ 2,558 |
| <b>EBITDA<sup>(3):</sup></b>                                              |                 |                                 |                   |                                            |                      |            |          |          |
| Net income (loss)                                                         | \$ 1,657        | \$ 3,382                        | \$ 141            | \$ (6,200)                                 | \$ (37,002)          | \$ (2,949) | \$ 428   | \$ 2,558 |
| Adjustments:                                                              |                 |                                 |                   |                                            |                      |            |          |          |
| Plus minority interest                                                    | 3,949           | 4,263                           | (5,020)           | 247                                        |                      |            |          |          |
| Less net gain on sale of interests in joint venture                       |                 |                                 |                   |                                            | (751)                |            |          |          |
| Plus interest expense                                                     | 18,270          | 12,247                          | 157               | 35,567                                     | 6,072                | 396        | 542      | 814      |
| Plus income taxes                                                         | 938             | 938                             | 312               | 312                                        |                      |            |          |          |
| Plus depreciation and amortization                                        | 22,358          | 14,844                          | 418               | 39,886                                     | 7,154                | 822        | 821      | 814      |
| EBITDA                                                                    | \$ 47,172       | \$ 35,674                       | \$ 716            | \$ 64,545                                  | \$ (23,217)          | \$ (2,482) | \$ 1,791 | \$ 4,186 |

(1)

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The results of operations for the year ended December 31, 2004 reflect the results of operations of our predecessor entities for the period from January 1, 2004 through November 1, 2004, and our results of operations, after completion of our initial public offering, for the period from November 2, 2004 through December 31, 2004.

(2)

Funds from Operations, or FFO, is a widely recognized measure of REIT performance. Although FFO is not a GAAP, or generally accepted accounting principle, financial measure, we believe that information regarding FFO is helpful to shareholders and potential investors. We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, except with respect to FFO presented for the year ended December 31, 2004, for which we added back a non-recurring compensation expense relating to the period from January 1, 2004 through November 1, 2004, prior to completion of our initial public offering. The manner in which we computed FFO may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than the Company. NAREIT defines FFO as net income (loss) before minority

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interest of unitholders, excluding gains (losses) on sales of depreciable operating property and extraordinary items (computed in accordance with GAAP), plus real estate related depreciation and amortization (excluding amortization of deferred financing costs), and after adjustment for unconsolidated partnerships and joint ventures. The GAAP measure that we believe to be most directly comparable to FFO, net income (loss), includes depreciation and amortization expenses, gains or losses on property sales and minority interest. In computing FFO, we eliminate these items because, in our view, they are not indicative of the results from our property operations. To facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income (determined in accordance with GAAP) as presented in the financial statements included elsewhere in this prospectus. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (loss) (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available for our cash needs, including our ability to make cash distributions to shareholders.

(3)

EBITDA is defined as net income (loss) before minority interest, net gain on sale of interests in joint ventures, interest expense, income taxes and depreciation and amortization. EBITDA is a useful measure of our operating performance, as it provides us with a measure of our profitability, by removing the impact of our asset base (primarily depreciation and amortization) and the impact of leverage from our operating results, enabling us to analyze our operating performance on a comparable basis to our competitors, regardless of capital structure. EBITDA, as calculated by us, may not be comparable to EBITDA reported by other companies that do not define EBITDA exactly as we define the term. EBITDA does not represent cash generated from operating activities determined in accordance with GAAP, and should not be considered as an alternative to operating income or net income determined in accordance with GAAP as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of liquidity.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited pro forma consolidated financial statements as of and for the six months ended June 30, 2005 and the unaudited pro forma combined financial statements for the year ended December 31, 2004 were derived from our audited and unaudited financial statements and those of our predecessor entities.

The unaudited pro forma consolidated balance sheet as of June 30, 2005 is presented as if all of the following had occurred on June 30, 2005: acquisition of five student housing properties and an undeveloped parcel of land that we have acquired subsequent to June 30, 2005; the pending acquisition of two student housing properties, the acquisition of which is considered by us to be probable as of the date of this prospectus; the related financing obtained in connection with the completed acquisitions and financing expected to be placed in connection with the pending acquisitions; this offering; and the application of the net proceeds from this offering.

The unaudited pro forma consolidated statement of operations for the six months ended June 30, 2005 and the unaudited pro forma combined statement of operations for the year ended December 31, 2004 are presented as if all of the properties that we own or which are considered to be probable of acquisition as of the date of this prospectus were acquired as of the first day of the periods presented. In addition, these statements also include certain other adjustments including the adjustment of minority interest expense as if this offering had occurred on the first day of the periods presented, the elimination of certain non-recurring compensation expense that occurred prior to our initial public offering, and other adjustments reflected in the notes to the unaudited pro forma financial statements.

The unaudited pro forma financial statements do not include the purchase of any student housing properties that we have under a non-binding letter of intent, as we have not yet completed our due diligence investigation to a substantial enough degree to consider them probable of acquisition.

The pro forma financial statements should be read in conjunction with our historical financial statements and those of our predecessor entities, including the notes thereto, included elsewhere in this prospectus. The pro forma financial statements do not purport to represent the financial position or the results of operations that would have actually occurred assuming this offering, certain of our pending acquisitions and the repayment of debt in connection with the application of the net proceeds from this offering had all the transactions occurred on June 30, 2005 or the first day of the periods presented, nor do they purport to project the financial position or results of operations of GMH Communities Trust as of any future date or for any future period.

## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2005

(dollars in thousands)

|                                              | GMH<br>Communities<br>Trust | Acquired<br>Properties | Other<br>Pro Forma<br>Adjustments | Subtotal     | This<br>Offering | Company<br>Pro Forma |
|----------------------------------------------|-----------------------------|------------------------|-----------------------------------|--------------|------------------|----------------------|
|                                              | (A)                         | (B)                    |                                   |              | (E)              |                      |
| <b>Assets</b>                                |                             |                        |                                   |              |                  |                      |
| Real estate investments:                     |                             |                        |                                   |              |                  |                      |
| Student housing properties                   | \$ 957,348                  | \$ 183,209             | \$ 156 (C)                        | \$ 1,140,713 | \$               | \$ 1,140,713         |
| Accumulated depreciation                     | 13,213                      |                        |                                   | 13,213       |                  | 13,213               |
| Total real estate investments                | 944,135                     | 183,209                | 156                               | 1,127,500    |                  | 1,127,500            |
| Corporate assets:                            |                             |                        |                                   |              |                  |                      |
| Corporate assets                             | 7,589                       |                        |                                   | 7,589        |                  | 7,589                |
| Accumulated depreciation                     | 339                         |                        |                                   | 339          |                  | 339                  |
| Total corporate assets                       | 7,250                       |                        |                                   | 7,250        |                  | 7,250                |
| Cash and cash equivalents                    | 16,404                      | (5,850)                | 655(D)                            | 11,209       |                  | 11,209               |
| Restricted cash                              | 8,830                       |                        | 483(D)                            | 9,313        |                  | 9,313                |
| Accounts and other receivables, net:         |                             |                        |                                   |              |                  |                      |
| Related party                                | 14,765                      |                        |                                   | 14,765       |                  | 14,765               |
| Third party                                  | 2,496                       |                        |                                   | 2,496        |                  | 2,496                |
| Investments in military housing projects     | 37,077                      |                        |                                   | 37,077       |                  | 37,077               |
| Deferred contract costs                      | 834                         | (805)                  |                                   | 29           |                  | 29                   |
| Deferred financing costs, net                | 3,645                       | 330                    | 162(D)                            | 4,137        |                  | 4,137                |
| Lease intangibles, net                       | 3,426                       | 2,095                  |                                   | 5,521        |                  | 5,521                |
| Deposits                                     | 2,643                       | (1,288)                |                                   | 1,355        |                  | 1,355                |
| Other assets                                 | 4,865                       |                        |                                   | 4,865        |                  | 4,865                |
| Total assets                                 | \$ 1,046,370                | \$ 177,691             | \$ 1,456                          | \$ 1,225,517 | \$               | \$ 1,225,517         |
| <b>Liabilities and Beneficiaries' Equity</b> |                             |                        |                                   |              |                  |                      |
| Notes payable                                |                             |                        |                                   |              |                  |                      |
|                                              | \$ 551,100                  | \$ 93,582              | \$ 156 (C)                        | \$ 666,138   | \$               | \$ 666,138           |
|                                              |                             |                        | 21,300 (D)                        |              |                  |                      |
| Line of credit                               | 71,000                      | 84,109                 | (20,000)(D)                       | 135,109      | (93,433)         | 41,676               |
| Accounts payable:                            |                             |                        |                                   |              |                  |                      |
| Related party                                | 25                          |                        |                                   | 25           |                  | 25                   |
| Third party                                  | 777                         |                        |                                   | 777          |                  | 777                  |
| Accrued expenses                             | 15,760                      |                        |                                   | 15,760       |                  | 15,760               |
| Dividends and distributions payable          | 13,664                      |                        |                                   | 13,664       |                  | 13,664               |
| Other liabilities                            | 7,130                       |                        |                                   | 7,130        |                  | 7,130                |
| Total liabilities                            | 659,456                     | 177,691                | 1,456                             | 838,603      | (93,433)         | 745,170              |
| Minority interest                            | 201,558                     |                        |                                   | 201,558      |                  | 201,558              |
| Beneficiaries' equity:                       |                             |                        |                                   |              |                  |                      |
| Common shares of beneficial interest         | 30                          |                        |                                   | 30           | 7                | 37                   |
| Additional paid-in capital                   | 200,372                     |                        |                                   | 200,372      | 93,426           | 293,798              |
| Cumulative earnings                          | 3,630                       |                        |                                   | 3,630        |                  | 3,630                |
| Cumulative dividends                         | (18,676)                    |                        |                                   | (18,676)     |                  | (18,676)             |

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|                                             | <b>GMH<br/>Communities<br/>Trust</b> | <b>Acquired<br/>Properties</b> | <b>Other<br/>Pro Forma<br/>Adjustments</b> | <b>Subtotal</b> | <b>This<br/>Offering</b> | <b>Company<br/>Pro Forma</b> |
|---------------------------------------------|--------------------------------------|--------------------------------|--------------------------------------------|-----------------|--------------------------|------------------------------|
|                                             |                                      |                                |                                            |                 |                          |                              |
| Total beneficiaries' equity                 | 185,356                              |                                |                                            | 185,356         | 93,433                   | 278,789                      |
|                                             |                                      |                                |                                            |                 |                          |                              |
| Total liabilities and beneficiaries' equity | \$ 1,046,370                         | \$ 177,691                     | \$ 1,456                                   | \$ 1,225,517    | \$                       | \$ 1,225,517                 |

See accompanying notes to unaudited pro forma financial statements.

## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended June 30, 2005

(dollars in thousands, except number of shares and per share amounts)

|                                                         | GMH<br>Communities<br>Trust | Acquired<br>Properties<br>through June 30,<br>2005 | Acquired<br>Properties after<br>June 30, 2005 | Other<br>Pro Forma<br>Adjustments | Company<br>Pro Forma |
|---------------------------------------------------------|-----------------------------|----------------------------------------------------|-----------------------------------------------|-----------------------------------|----------------------|
|                                                         | (F)                         | (G)                                                | (H)                                           |                                   |                      |
| <b>Revenue</b>                                          |                             |                                                    |                                               |                                   |                      |
| Rent and other property income                          | \$ 55,676                   | \$ 11,545                                          | \$ 8,810                                      | \$                                | \$ 76,031            |
| Expense reimbursements:                                 |                             |                                                    |                                               |                                   |                      |
| Related party                                           | 21,732                      |                                                    |                                               | (142)(I)                          | 21,590               |
| Third party                                             | 2,577                       |                                                    |                                               |                                   | 2,577                |
| Management fees:                                        |                             |                                                    |                                               |                                   |                      |
| Related party                                           | 3,513                       |                                                    |                                               | (103)(I)                          | 3,410                |
| Third party                                             | 1,651                       |                                                    |                                               |                                   | 1,651                |
| Other fee income related party                          | 7,543                       |                                                    |                                               |                                   | 7,543                |
| Other income                                            | 133                         |                                                    |                                               |                                   | 133                  |
| Total revenue                                           | 92,825                      | 11,545                                             | 8,810                                         | (245)                             | 112,935              |
| <b>Operating Expenses</b>                               |                             |                                                    |                                               |                                   |                      |
| Property operating expenses                             | 22,594                      | 4,039                                              | 3,257                                         |                                   | 29,890               |
| Reimbursed expenses                                     | 24,309                      |                                                    |                                               | (142)(I)                          | 24,167               |
| Real estate taxes                                       | 4,575                       | 839                                                | 619                                           |                                   | 6,033                |
| Administrative expenses                                 | 5,673                       |                                                    |                                               |                                   | 5,673                |
| Depreciation and amortization                           | 14,844                      |                                                    |                                               | 7,514(J)                          | 22,358               |
| Interest                                                | 12,247                      | 806                                                | 188                                           | (27)(K)                           | 18,270               |
|                                                         |                             |                                                    |                                               | 5,056(L)                          |                      |
| Total operating expenses                                | 84,242                      | 5,684                                              | 4,064                                         | 12,401                            | 106,391              |
| Income (loss) before minority interest and income taxes | 8,583                       | 5,861                                              | 4,746                                         | (12,646)                          | 6,544                |
| Minority interest                                       | 4,263                       |                                                    |                                               | (314)(M)                          | 3,949                |
| Income (loss) before income taxes                       | 4,320                       | 5,861                                              | 4,746                                         | (12,332)                          | 2,595                |
| Income taxes                                            | 938                         |                                                    |                                               |                                   | 938                  |
| Net income (loss)                                       | \$ 3,382                    | \$ 5,861                                           | \$ 4,746                                      | \$ (12,332)                       | \$ 1,657             |
| Basic earnings per share <sup>(1)</sup>                 | \$ 0.11                     |                                                    |                                               |                                   | \$ 0.04              |
| Diluted earnings per share <sup>(2)</sup>               | \$ 0.11                     |                                                    |                                               |                                   | \$ 0.04              |
| Weighted average common shares outstanding basic        | 30,350,989                  |                                                    |                                               |                                   | 37,100,989           |
| Weighted average common shares outstanding diluted      | 32,171,712                  |                                                    |                                               |                                   | 38,923,061           |

(1) Pro forma basic earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income divided by the number of common shares outstanding after this offering.

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(2)

Pro forma diluted earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income (loss) divided by the number of common shares outstanding and common equivalent shares outstanding after this offering.

See accompanying notes to unaudited pro forma financial statements.

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended December 31, 2004

(dollars in thousands, except number of shares and per share amounts)

|                                                                         | The Company<br>and<br>Predecessor<br>Entities | Acquired<br>Properties<br>through<br>December 31,<br>2004 | Acquired<br>Properties<br>after<br>December 31,<br>2004 | Other<br>Pro Forma<br>Adjustments | Company<br>Pro Forma |
|-------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------|-----------------------------------|----------------------|
|                                                                         | (N)                                           | (O)                                                       | (P)                                                     |                                   |                      |
| <b>Revenue</b>                                                          |                                               |                                                           |                                                         |                                   |                      |
| Rent and other property income                                          | \$ 25,650                                     | \$ 53,749                                                 | \$ 54,045                                               | \$                                | \$ 133,444           |
| Expense reimbursements:                                                 |                                               |                                                           |                                                         |                                   |                      |
| Related party                                                           | 33,309                                        |                                                           |                                                         | (1,514)(Q)                        | 31,795               |
| Third party                                                             | 7,203                                         |                                                           |                                                         | (211)(Q)                          | 6,992                |
| Management fees:                                                        |                                               |                                                           |                                                         |                                   |                      |
| Related party                                                           | 4,355                                         |                                                           |                                                         | (913)(Q)                          | 3,442                |
| Third party                                                             | 3,986                                         |                                                           |                                                         | (73)(Q)                           | 3,913                |
| Other fee income related party                                          | 8,460                                         |                                                           |                                                         | 683(R)                            | 9,143                |
| Other income                                                            | 915                                           |                                                           |                                                         | (28)(S)                           | 887                  |
| <b>Total revenue</b>                                                    | <b>83,878</b>                                 | <b>53,749</b>                                             | <b>54,045</b>                                           | <b>(2,056)</b>                    | <b>189,616</b>       |
| <b>Operating Expenses</b>                                               |                                               |                                                           |                                                         |                                   |                      |
| Property operating expenses                                             | 22,755                                        | 22,349                                                    | 19,948                                                  | (37)(T)                           | 65,015               |
| Reimbursed expenses                                                     | 40,512                                        |                                                           |                                                         | (1,725)(Q)                        | 38,787               |
| Real estate taxes                                                       | 1,887                                         | 4,134                                                     | 4,496                                                   |                                   | 10,517               |
| Administrative expenses                                                 | 4,439                                         |                                                           |                                                         | 6,308(U)                          | 10,752               |
|                                                                         |                                               |                                                           |                                                         | 15(R)                             |                      |
|                                                                         |                                               |                                                           |                                                         | (10)(V)                           |                      |
| Profits interests and employee initial<br>public offering bonus expense | 37,502                                        |                                                           |                                                         | (37,502)(W)                       |                      |
| Depreciation and amortization                                           | 7,154                                         |                                                           |                                                         | 32,739(X)                         | 39,886               |
|                                                                         |                                               |                                                           |                                                         | (7)(V)                            |                      |
| Interest                                                                | 6,072                                         | 2,771                                                     | 4,781                                                   | (974)(Y)                          | 35,567               |
|                                                                         |                                               |                                                           |                                                         | 22,917(Z)                         |                      |
| <b>Total operating expenses</b>                                         | <b>120,321</b>                                | <b>29,254</b>                                             | <b>29,225</b>                                           | <b>21,724</b>                     | <b>200,524</b>       |
| Income (loss) before minority<br>interest and income taxes              | (36,443)                                      | 24,495                                                    | 24,820                                                  | (23,780)                          | (10,908)             |
| Minority interest                                                       | 247                                           |                                                           |                                                         | (5,267)(AA)                       | (5,020)              |
| <b>Income (loss) before income taxes</b>                                | <b>(36,690)</b>                               | <b>24,495</b>                                             | <b>24,820</b>                                           | <b>(18,513)</b>                   | <b>(5,888)</b>       |
| Income taxes                                                            | 312                                           |                                                           |                                                         |                                   | 312                  |
| <b>Net income (loss)</b>                                                | <b>\$ (37,002)</b>                            | <b>\$ 24,495</b>                                          | <b>\$ 24,820</b>                                        | <b>\$ (18,513)</b>                | <b>\$ (6,200)</b>    |
| <b>Basic loss per share<sup>(1)</sup></b>                               | <b>\$ 0.01<sub>(3)</sub></b>                  |                                                           |                                                         |                                   | <b>\$ (0.17)</b>     |
| <b>Diluted loss per share<sup>(2)</sup></b>                             | <b>\$ 0.01<sub>(3)</sub></b>                  |                                                           |                                                         |                                   | <b>\$ (0.16)</b>     |
| Weighted average common shares<br>outstanding basic                     | 29,965,418                                    |                                                           |                                                         |                                   | 37,100,989           |
| Weighted average common shares<br>outstanding diluted                   | 61,232,629                                    |                                                           |                                                         |                                   | 68,567,373           |

(1) Pro forma basic earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income divided by the number of common shares outstanding after this offering.

(2)

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Pro forma diluted earnings per share is computed assuming this offering was completed as of the first day of the period presented and equals pro forma net income (loss) divided by the number of common shares outstanding and common equivalent shares outstanding after this offering.

(3)

Basis and diluted earnings per share reflect our results of operations for the period November 2, 2004 to December 31, 2004. Net income during this period was \$251,000.

See accompanying notes to unaudited pro forma financial statements.

GMH COMMUNITIES TRUST

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. Adjustments to the Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2005.

- (A) Reflects the historical condensed consolidated balance sheet of GMH Communities Trust as of June 30, 2005.
- (B) Reflects the acquisition of seven student housing properties and two undeveloped parcels of land that we have acquired, or will acquire, subsequent to June 30, 2005 with an aggregate acquisition cost of \$185.3 million (\$183.2 million of operating properties and \$2.1 million of lease intangibles) for \$90.0 million of cash, of which \$84.1 million was borrowed on our line of credit, the placement of \$50.5 million of new debt and the assumption of \$43.1 million notes payable.
- (C) In connection with the acquisition of a student housing property described in Note 1(B) above, we have assumed a \$6.7 million note payable. The note bears interest at fixed rate of 5.60% and matures in June 2024. The \$0.2 million adjustment reflects the difference between the fair value of the note assumed calculated using a fixed rate of 5.30% and the stated rate of the assumed obligation. The interest rate used to calculate the fair market value of the assumed notes payable was determined based on various assumptions related to market conditions including type, age and location of the building and quoted interest rates for debt with similar terms.
- (D) In connection with the refinancing of a student housing property subsequent to June 30, 2005, we obtained a fixed rate note payable totaling \$21.3 million. The note bears interest at a fixed rate of 5.28% and matures in August 2015. The net proceeds of the note were used to repay a portion of our line of credit.
- (E) Assumes the sale of 6,750,000 common shares of GMH Communities Trust for an assumed price of \$14.82 per share, which is the last reported sale price of our common shares on The New York State Exchange on September 16, 2005, and the anticipated use of the proceeds therefrom.

|                                                    | (\$ in thousands) |
|----------------------------------------------------|-------------------|
| Proceeds from this offering                        | \$ 100,035        |
| Less costs:                                        |                   |
| Underwriting discount                              | 5,002             |
| Estimated offering expenses                        | 1,600             |
| Net cash proceeds used to repay the line of credit | \$ 93,433         |

2. Adjustments to the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2005.

- (F) Reflects the historical condensed consolidated statement of operations of GMH Communities Trust for the six months ended June 30, 2005.

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(G)

Reflects the historical revenues and certain expenses of 16 student housing properties that we acquired during the six months ended June 30, 2005 from January 1, 2005 to the respective acquisition date, as follows:

|                                        | Dinerstein<br>Portfolio<br>III(a) | Grand<br>Marc at<br>Seven<br>Corners | Forbes<br>Portfolio(b) | State<br>College<br>Portfolio(c) | Willow Tree<br>Portfolio(d) | The<br>Verge | The<br>Edge<br>Portfolio(e) | Chapel<br>View | University<br>Commons | Total     |
|----------------------------------------|-----------------------------------|--------------------------------------|------------------------|----------------------------------|-----------------------------|--------------|-----------------------------|----------------|-----------------------|-----------|
| <b>Revenues:</b>                       |                                   |                                      |                        |                                  |                             |              |                             |                |                       |           |
| Rental income                          | \$ 1,068                          | \$ 985                               | \$ 3,844               | \$ 1,365                         | \$ 66                       | \$ 1,145     | \$ 1,133                    | \$ 789         | \$ 1,150              | \$ 11,545 |
| <b>Certain Expenses:</b>               |                                   |                                      |                        |                                  |                             |              |                             |                |                       |           |
| Property operating expenses            | 324                               | 378                                  | 1,039                  | 683                              | 27                          | 341          | 608                         | 261            | 378                   | 4,039     |
| Real estate taxes                      | 88                                | 110                                  | 145                    | 87                               | 8                           | 141          | 72                          | 98             | 90                    | 839       |
| Interest expense                       | 271                               | 277                                  |                        |                                  | 21                          |              | 237                         |                |                       | 806       |
| Total certain expenses                 | 683                               | 765                                  | 1,184                  | 770                              | 56                          | 482          | 917                         | 359            | 468                   | 5,684     |
| Revenues in excess of certain expenses | \$ 385                            | \$ 220                               | \$ 2,660               | \$ 595                           | \$ 10                       | \$ 663       | \$ 216                      | \$ 430         | \$ 682                | \$ 5,861  |

(a)

The Dinerstein Portfolio III consists of the following properties: The Enclave, The Ridge and The View.

(b)

The Forbes Portfolio consists of the following properties: Campus Ridge Phase I, South View and Stone Gate. The Commons, also part of this portfolio, was acquired in July 2005. See Note 2(G).

(c)

The State College Portfolio consists of the following properties: State College Park and Nittany Crossings.

(d)

The Willow Tree Portfolio consists of the following properties: Willow Tree Apartments and Willow Tree Towers.

(e)

The Edge Portfolio consists of the following properties: The Edge I and The Edge II.

The results of operations of these properties subsequent to their respective acquisition dates are included in the results of operations of GMH Communities Trust. See Note 2(E).

(H)

Reflects the historical revenues and certain expenses for the six months ended June 30, 2005 related to six student housing properties that we have acquired or will acquire subsequent to June 30, 2005, as follows:

|                             | Seminole<br>Suites(a) | The Commons | Campus<br>Walk | The Towers<br>at 3 <sup>rd</sup> (b) | University<br>Meadows | University<br>Crossings | Total    |
|-----------------------------|-----------------------|-------------|----------------|--------------------------------------|-----------------------|-------------------------|----------|
| <b>Revenues:</b>            |                       |             |                |                                      |                       |                         |          |
| Rental income               | \$ 2,119              | \$ 1,050    | \$ 677         | \$ 930                               | \$ 906                | \$ 3,128                | \$ 8,810 |
| <b>Certain Expenses:</b>    |                       |             |                |                                      |                       |                         |          |
| Property operating expenses | 764                   | 455         | 223            | 289                                  | 633                   | 893                     | 3,257    |
| Real estate taxes           | 161                   | 24          | 35             | 61                                   | 174                   | 164                     | 619      |

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|                                           | Seminole<br>Suites(a) | The Commons | Campus<br>Walk | The Towers<br>at 3 <sup>rd</sup> (b) | University<br>Meadows | University<br>Crossings | Total    |
|-------------------------------------------|-----------------------|-------------|----------------|--------------------------------------|-----------------------|-------------------------|----------|
| Interest expense                          |                       | 188         |                |                                      |                       |                         | 188      |
| Total certain expenses                    | 925                   | 667         | 258            | 350                                  | 807                   | 1,057                   | 4,064    |
| Revenues in excess of certain<br>expenses | \$ 1,194              | \$ 383      | \$ 419         | \$ 580                               | \$ 99                 | \$ 2,071                | \$ 4,746 |

- (a) Reflects results for the five months ended May 31, 2005.
- (b) Reflects results for the four months ended April 30, 2005.
- (I) Reflects elimination of management fees and expense reimbursements related to two student housing properties that we managed prior to our acquisition of them in March 2005.
- (J) Reflects additional \$3.8 million of depreciation expense and \$3.7 million of amortization expense of intangible lease costs related to 53 student housing properties that we have acquired or will acquire as if we had acquired the properties on January 1, 2005.

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(K)

Reflects the reduction in interest expense included in the historical revenues and certain expenses of seven student housing properties that we have acquired resulting from adjusting fixed-rate assumed debt in the amount of \$86.1 million at rates ranging from 4.92% to 7.09% to fair market rates of interest. The fair market rates of interest were determined based on various assumptions relating to market conditions including type, age and location of the buildings and quoted interest rates for debt with similar terms.

(L)

Reflects interest expense we will incur with respect to \$238.4 million of debt bearing interest at rates ranging from 4.54% to 5.46% and \$41.7 million of outstanding indebtedness under our revolving line of credit bearing interest at 5.40% incurred in connection with the acquisition of 16 student housing properties and three undeveloped parcels of land that we have already acquired.

(M)

Reflects minority interest expense on the pro forma adjustments. The adjustment was computed assuming this offering was completed as of January 1, 2005 and as if we owned 54.0% of our operating partnership.

### 3. Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2004.

(N)

Reflects the historical combined operations of our predecessor entities for the period from January 1, 2004 to November 1, 2004, together with the historical consolidated operations of GMH Communities Trust for the period November 2, 2004 to December 31, 2004.

(O)

Reflects the historical revenues and certain expenses from January 1, 2004 to the respective dates of acquisition of 30 student housing properties currently operating that we acquired during the year ended December 31, 2004, as follows:

|                                               | Dinerstein<br>Portfolio<br>I(a) | Dinerstein<br>Portfolio<br>II(b) | Davis<br>Portfolio(c) | Campus<br>Club<br>Statesboro | University<br>Edge<br>Apartments | Collegiate<br>Hall | Campus<br>Connection | University<br>Court | Campus<br>Club<br>Apartments | Grand<br>Marc<br>at<br>University<br>Village | Total            |
|-----------------------------------------------|---------------------------------|----------------------------------|-----------------------|------------------------------|----------------------------------|--------------------|----------------------|---------------------|------------------------------|----------------------------------------------|------------------|
| <b>Revenues:</b>                              |                                 |                                  |                       |                              |                                  |                    |                      |                     |                              |                                              |                  |
| Rental income                                 | \$ 17,105                       | \$ 6,915                         | \$ 9,962              | \$ 2,594                     | \$ 1,805                         | \$ 1,196           | \$ 3,014             | \$ 2,093            | \$ 3,932                     | \$ 5,133                                     | \$ 53,749        |
| <b>Certain Expenses:</b>                      |                                 |                                  |                       |                              |                                  |                    |                      |                     |                              |                                              |                  |
| Property operating expenses                   | 6,058                           | 3,263                            | 4,316                 | 1,374                        | 803                              | 392                | 1,777                | 835                 | 1,888                        | 1,643                                        | 22,349           |
| Real estate taxes                             | 1,414                           | 353                              | 674                   | 177                          | 174                              | 105                | 374                  | 154                 | 369                          | 340                                          | 4,134            |
| Interest expense                              |                                 |                                  | 1,542                 |                              |                                  |                    |                      |                     | 1,229                        |                                              | 2,771            |
| <b>Total certain expenses</b>                 | <b>7,472</b>                    | <b>3,616</b>                     | <b>6,532</b>          | <b>1,551</b>                 | <b>977</b>                       | <b>497</b>         | <b>2,151</b>         | <b>989</b>          | <b>3,486</b>                 | <b>1,983</b>                                 | <b>29,254</b>    |
| <b>Revenues in excess of certain expenses</b> | <b>\$ 9,633</b>                 | <b>\$ 3,299</b>                  | <b>\$ 3,430</b>       | <b>\$ 1,043</b>              | <b>\$ 828</b>                    | <b>\$ 699</b>      | <b>\$ 863</b>        | <b>\$ 1,104</b>     | <b>\$ 446</b>                | <b>\$ 3,150</b>                              | <b>\$ 24,495</b> |

(a)

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The Dinerstein Portfolio I consists of the following properties: University Crescent, University Greens, University Heights, University Lodge, University Pines, University Trails, University Estates, University Gables, University Glades, University Manor, University Mills, University Court and University Place.

(b)

The Dinerstein Portfolio II consists of the following properties: Fields, University Oaks, University Pointe, The Centre, The Highlands and Uptown.

(c)

The Davis Portfolio consists of the following properties: Campus Walk, Pirate's Cove, University Walk and Chapel Ridge.

The results of operations of these properties subsequent to their respective acquisition dates are included in the results of operations of GMH Communities Trust. See Note 2(N).

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(P) Reflects the historical revenues and certain expenses for the year ended December 31, 2004 related to 22 student housing properties that we have acquired or will acquire subsequent to December 31, 2004 as follows:

|                                        | Seminole Suites | Campus Walk | The Towers at 3 <sup>rd</sup> | University Meadows | University Crossings | Dinerstein Portfolio III(a) | Grand Marc at Seven Corners Portfolio (b) | Forbes Portfolio (c) | State College Portfolio (d) | Willow Tree Portfolio (d) | The Verge Portfolio (e) | The Edge Portfolio (e) | University Commons | Chapel View | Total     |
|----------------------------------------|-----------------|-------------|-------------------------------|--------------------|----------------------|-----------------------------|-------------------------------------------|----------------------|-----------------------------|---------------------------|-------------------------|------------------------|--------------------|-------------|-----------|
| <b>Revenues:</b>                       |                 |             |                               |                    |                      |                             |                                           |                      |                             |                           |                         |                        |                    |             |           |
| Rental income                          | \$ 3,709        | \$ 1,254    | \$ 2,811                      | \$ 2,136           | \$ 5,562             | \$ 6,301                    | \$ 3,650                                  | \$ 9,790             | \$ 5,679                    | \$ 4,772                  | \$ 1,443                | \$ 2,884               | \$ 2,308           | \$ 1,746    | \$ 54,045 |
| <b>Certain Expenses:</b>               |                 |             |                               |                    |                      |                             |                                           |                      |                             |                           |                         |                        |                    |             |           |
| Property operating expenses            | 1,457           | 474         | 878                           | 1,031              | 1,768                | 1,697                       | 1,348                                     | 3,393                | 2,864                       | 1,944                     | 379                     | 1,272                  | 848                | 595         | 19,948    |
| Real estate taxes                      | 386             | 71          | 227                           | 349                | 327                  | 470                         | 385                                       | 332                  | 573                         | 570                       | 246                     | 164                    | 181                | 215         | 4,496     |
| Interest expense                       |                 |             |                               |                    |                      | 1,326                       | 924                                       | 422                  |                             | 1,558                     |                         | 551                    |                    |             | 4,781     |
| Total certain expenses                 | 1,843           | 545         | 1,105                         | 1,380              | 2,095                | 3,493                       | 2,657                                     | 4,147                | 3,437                       | 4,072                     | 625                     | 1,987                  | 1,029              | 810         | 29,225    |
| Revenues in excess of certain expenses | \$ 1,866        | \$ 709      | \$ 1,706                      | \$ 756             | \$ 3,467             | \$ 2,808                    | \$ 993                                    | \$ 5,643             | \$ 2,242                    | \$ 700                    | \$ 818                  | \$ 897                 | \$ 1,279           | \$ 936      | \$ 24,820 |

- (a) The Dinerstein Portfolio III consists of the following properties: The Enclave, The Ridge and The View.
- (b) The Forbes Portfolio consists of the following properties: Campus Ridge Phase I, South View, Stone Gate and The Commons.
- (c) The State College Portfolio consists of the following properties: State College Park and Nittany Crossings.
- (d) The Willow Tree Portfolio consists of the following properties: Willow Tree Apartments and Willow Tree Towers.
- (e) The Edge Portfolio consists of the following properties: The Edge I and The Edge II.
- (Q) Reflects elimination of management fees and reimbursed expenses related to seven student housing properties that we managed prior to our acquisition of them.
- (R) Reflects the historical operations for the period January 1, 2004 through July 26, 2004 of GMH Military Housing-Fort Carson LLC.
- (S) Reflects elimination of equity in earnings of four student housing properties in which we owned 10% of the outstanding equity interests prior to our purchase of the remaining 90% outstanding equity interests.
- (T) Reflects elimination of a nonrecurring management fee paid to a related entity that is not included in our predecessor entities.
- (U) Reflects additional staffing and administrative costs that we would have incurred in connection with our operation as a publicly traded company and anticipated growth, as if we were publicly traded throughout the period.
- (V) Reflects the reduction in operating expenses and depreciation related to the real estate investment owned by one of our predecessor entities. The investment was not contributed to our operating partnership in connection with our formation transactions.

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- (W) In connection with our formation transactions, certain members of senior management and other employees were granted rights to receive from Gary M. Holloway, Sr., partnership interests in the operating partnership in satisfaction of Mr. Holloway's obligations to them with respect to their profits interests. The value of the consideration issued by Mr. Holloway to the senior executives in satisfaction of those profits interests of \$33.2 million was expensed during the quarter ended September 30, 2004. In addition, Mr. Holloway paid \$4.0 million in cash bonuses to certain of our employees, a trustee nominee and employees of entities affiliated with Mr. Holloway. This bonus, including related payroll taxes, and issuance of partnership interests in the operating partnership in satisfaction of the profits interests resulted in compensation expense of \$37.5 million. These amounts are not included in the pro forma statement of operations because they were non-recurring.
- (X) Reflects additional \$22.2 million of depreciation expense and \$10.5 million of amortization expense of intangible lease costs related to 53 student housing properties that we have acquired or will acquire.
- (Y) Reflects the reduction in interest expense included in the historical revenues and certain expenses of 20 student housing properties that we have acquired resulting from adjusting fixed-rate assumed debt in the amount of \$258.0 million at fixed rates ranging from 4.24% to 8.18% to the debt's fair market rates of interest. The fair market rates of interest were determined based on various assumptions relating to market conditions including type, age, and location of the buildings and quoted interest rates for debt with similar terms. (See Note 1(E)).
- (Z) Reflects interest expense we will incur with respect to \$537.3 million of debt bearing interest at rates ranging from 4.24% to 5.46% placed in connection with the acquisition of 34 student housing properties and three undeveloped parcels of land that we have already acquired and \$41.7 million of outstanding indebtedness under our revolving line of credit bearing interest at 5.40%.
- (AA) Reflects minority interest expense on the pro forma adjustments. The adjustment was computed assuming this offering was completed as of January 1, 2004 and as if we owned 54.0% of our operating partnership.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*We commenced operations on November 2, 2004, upon completion of our initial public offering and the simultaneous acquisition of the sole general partnership interest in GMH Communities, LP, referred to throughout this prospectus as our operating partnership. The historical operations prior to completion of our initial public offering that are described in this prospectus refer to the operations of College Park Management, Inc., GMH Military Housing, LLC, 353 Associates, L.P., and Corporate Flight Services, LLC, which are collectively referred to, together with our operating partnership, as The GMH Predecessor Entities or our predecessor entities.*

*In connection with the formation transactions completed prior to and simultaneously with completion of our initial public offering, the interests in The GMH Predecessor Entities were contributed to our operating partnership as described in Note 1 to the financial statements for the period ended June 30, 2005 included in this prospectus. We have described our operations in this prospectus as if the historical operations of our predecessor entities were conducted by us. The following discussion and analysis should be read in conjunction with the financial statements and notes thereto of GMH Communities Trust and The GMH Predecessor Entities appearing in this prospectus. Where appropriate, the following discussion includes an analysis of the effects of this offering. These effects are reflected in the unaudited pro forma combined financial information appearing elsewhere in this prospectus. This discussion also analyzes the effects of certain matters that may occur following the completion of this offering.*

**Overview**

We are a self-advised, self-managed, specialty housing company that focuses on providing housing to college and university students residing off-campus and to members of the U.S. military and their families. As of September 19, 2005, we owned 51 student housing properties containing a total of 9,473 units, 30,755 beds and four undeveloped parcels of land for development as student housing properties, and owned minority interests in joint ventures that own our military housing privatization projects. Additionally, our operating partnership has an ownership interest in, and through various wholly-owned subsidiaries operates, seven military housing privatization projects and has an additional project under exclusive negotiation, comprising an aggregate of 16,744 housing units on 19 military bases. We also are currently in the solicitation process with the U.S. Air Force for a military housing privatization project that is expected to cover four bases and in excess of 2,000 end-state housing units. Through our taxable REIT subsidiaries, we provide development, construction, renovation and management services for our military housing privatization projects and property management services for student housing properties owned by others. In addition, through our operating partnership, we provide consulting services with respect to the management of certain student housing properties owned by others, including, colleges, universities, and other private owners. In order to comply with the applicable requirements under the REIT provisions of the Code, we must limit the operations of taxable REIT subsidiaries so that securities issued to us by our taxable REIT subsidiaries do not represent more than 20% of our total assets as of the close of any quarter in our taxable year and so that dividends from our taxable REIT subsidiaries, together with our other non-qualifying gross income, do not exceed 25% of our gross income for any taxable year.

As a result of the various transactions and acquisitions completed in anticipation of, in connection with and subsequent to our initial public offering in November 2004, we expect our future results of operations to include significantly higher revenues and expenses than those reflected in our predecessor entity financial statements.

Currently, our operations are managed within two operating segments: (1) student housing and (2) military housing. This structure provides an effective platform for maximizing market penetration and optimizing operating economies of scale. In addition, we separately report the activities of certain

departments from a corporate level, which includes personnel that service GMH Communities Trust as a whole and support our overall operations.

#### *Student Housing*

The student housing segment acquires, owns and manages off-campus student housing properties strategically located near college or university campuses throughout the U.S. During the period beginning July 2004 and up to June 30, 2005, our rental revenue has increased substantially as a result of the acquisition of our properties, including those properties acquired in our formation transactions. While we manage the properties we own, we do not recognize any fee income from their management. Instead, the rent payments we receive as a result of our ownership of these properties are reflected in our revenue. Additionally, operating expenses, real estate taxes and depreciation and amortization have increased as a result of these acquisitions. Further, interest expense has increased related to the financing of these properties acquired.

We earn management fees from managing properties for related parties and third parties, equal to a percentage of cash receipts or gross rental revenues generated by the managed properties, or as a fixed monthly amount, according to the management agreements for the properties we manage. We also have the ability to earn incentive management fees by achieving specified property-level performance criteria for certain properties we manage for third parties. Further, certain operating expenses incurred related to properties we manage for others are reimbursed by the owners of the properties managed. We expect to continue generating fee income revenue and operating expense reimbursements from the properties that we manage for others, although the amounts are expected to become less significant as a percentage of our overall revenues as rental income increases from the properties we own.

During the three months ended June 30, 2005, we acquired eight student housing properties for an aggregate acquisition cost of approximately \$146.4 million. The properties are located near six colleges and universities in five states and contain an aggregate of 1,354 units and 4,300 beds. More specifically, these property acquisitions included the following:

The Grand Marc at Seven Corners, a student housing property located in Minneapolis, Minnesota and serving the University of Minnesota. The property contains 183 units and 370 beds, and 14,000 square feet of commercial space, and was acquired in April 2005 for an aggregate acquisition cost of approximately \$28.2 million, including the assumption of \$19.0 million of indebtedness;

The Edge I and The Edge II, two student housing properties located in Charlotte, North Carolina and serving the University of North Carolina Charlotte. The properties contain an aggregate of 180 units and 720 beds and were acquired in June 2005 for an aggregate acquisition cost of approximately \$23.3 million, including the assumption of \$9.8 million of indebtedness and the placement of \$4.5 million in fixed-rate mortgage debt;

Chapel View (formerly known as Brookstone Apartments), a student housing property located in Chapel Hill, North Carolina and serving the University of North Carolina Chapel Hill. The property contains 224 units and 358 beds and was acquired in June 2005 for an aggregate acquisition cost of approximately \$15.5 million, including the placement of \$9.7 million in fixed-rate mortgage debt;

University Commons, a student housing property located in Manhattan, Kansas and serving Kansas State University. The property contains 229 units and 700 beds and was acquired in June 2005 for an aggregate acquisition cost of approximately \$18.3 million, including the placement of \$11.4 million in fixed-rate mortgage debt; and

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James Madison University and East Tennessee State University portfolio: Campus Ridge Apartments, a student housing property, and an adjoining undeveloped parcel of land, located in Johnson City, Tennessee and serving East Tennessee State University; South View Apartments, a student housing property, located in Harrisonburg, Virginia and serving James Madison University; and Stone Gate Apartments, a student housing property, located in Harrisonburg, Virginia and serving James Madison University. The properties contain an aggregate of 538 units and 2,152 beds. We acquired these properties in June 2005 for an aggregate acquisition cost of \$61.1 million, which consideration included the issuance of 1,940,282 units of limited partnership interest in the operating partnership, and the placement of approximately \$40.6 million of new fixed-rate mortgage debt.

In addition to these student housing property acquisitions, in June 2005 we placed a total of \$23.6 million of fixed-rate mortgage indebtedness on two student housing properties located in State College, Pennsylvania that serve Pennsylvania State University. We acquired these properties in March 2005 for an aggregate purchase price of \$38.2 million. Proceeds of this mortgage debt financing were used to repay outstanding borrowings under our line of credit that were originally drawn to acquire these properties.

As of June 30, 2005, with regard to our student housing segment, we:

owned 46 student housing properties containing a total of 8,444 units and 28,134 beds; and

managed, or provided consulting services for, a total of 21 student housing properties owned by others, containing a total of 4,798 units and 13,921 beds. Specifically, we provided consulting services with respect to five of these properties to GMH Capital Partners Asset Services, L.P., an entity wholly-owned by Gary M. Holloway, Sr.

During the remainder of 2005, we expect to acquire additional student housing properties that are located in our targeted markets and that meet management's underwriting criteria for creating long-term growth potential. The timing of these acquisitions will be dependent upon various factors, including the ability to complete satisfactory due diligence, obtain appropriate financing on the properties and the availability of capital.

### *Military Housing*

Our military housing segment develops, constructs, renovates and manages military housing privatization projects in which we acquire interests. Our military housing segment began generating revenue in the fourth quarter of 2003 with the initiation of our Fort Carson and Fort Stewart and Hunter Army Airfield projects. Revenue grew throughout 2004 and 2005 with the addition of various other projects. Revenue from our military housing segment is comprised primarily of fee income for providing development, construction/renovation and management services to our military housing privatization projects and, to a lesser extent, from returns on the equity we invest in the projects. In addition, we also receive expense reimbursements, consisting primarily of payroll and related expenses, closing costs and transition costs we incur for the project in the 30 to 90-day period preceding the initiation of our management of the project. Typically, at the time we initiate management on a project, the project reimburses us for these amounts from the proceeds of the debt issued by the project to finance its operations.

We own equity interests in the joint ventures that own the seven military housing privatization projects currently in operation. During the three months ended June 30, 2005, we earned fees for providing development, construction/renovation and management services to six military housing privatization projects currently in operation, encompassing 16 military bases totaling 12,580 end-state housing units. In July 2005, we entered into an agreement with the Department of the Army to design, build, manage and maintain the military family housing at Fort Bliss, located in El Paso, Texas, and the

White Sands Missile Range, located near Las Cruces, New Mexico. The finalized plans include a six-year initial development period with new construction and major renovation of more than 3,000 end-state housing units. We obtained project financing, and the initial development project period began, in July 2005.

In May 2005, the U.S. Department of the Army selected us to be its private sector partner for the design, development, construction, renovation and management of family military housing units at Fort Gordon, located near Augusta, Georgia. The project is expected to have a six-year initial development period with new construction and major renovation of an estimated 887 end-state housing units. The 50-year project term will involve the development, management and construction of high-quality homes, the targeted renovation of existing homes, and the addition of community enhancing facilities and services. In addition, we are currently in the solicitation process with the Air Force for a military housing privatization project that is expected to cover four bases and in excess of 2,000 end-state housing units.

We and the U.S. Department of the Army continue to review the possibility of refinancing the Fort Carson project to obtain additional project cost funding.

With regard to trends and uncertainties in the military housing market, management is awaiting developments relating to the base realignment and closure, or BRAC, regulations under the Defense Base Closure and Realignment Act of 1990, as amended. Under these regulations, the federal government previously undertook four rounds of BRAC beginning in 1988, and again in 1991, 1993 and 1995. The fifth round of BRAC was initiated in 2004, and the final list of additional bases recommended for realignment or closure is expected to become effective in the fourth quarter of 2005.

The BRAC regulations set out an approximately six-month process that includes specific dates for government action and the creation of an independent commission, referred to as the BRAC Commission. A detailed description of the BRAC Commission process follows:

the Department of Defense issues a list of identified bases that are recommended for closure or realignment;

the BRAC Commission and various congressional defense committees then review the initial recommendations over the next several months following the date the list is published. Upon conclusion of this review, the BRAC Commission then transmits a report to the President that contains its findings and conclusions of the initial recommendations;

the President then has approximately one month to transmit back to the BRAC Commission and to Congress a report containing the President's approval or disapproval of the BRAC Commission's recommendations. If the President approves the recommendations, then they generally become binding after 45 "legislative" days, unless Congress enacts joint resolution of disapproval. If the President disapproves the BRAC Commission's initial recommendations, then the Commission has approximately one month to re-submit a revised set of recommendations to the President; and

the President must approve of the revised recommendations and transmit approval to Congress by a certain date or the process ends. The final recommendations generally become binding after 45 "legislative" days, unless Congress enacts joint resolution of disapproval.

On May 13, 2005, the DoD released its recommendations for BRAC. On July 19, 2005, the BRAC Commission voted to amend the DoD list of bases to be considered for closure and realignment. Based on the preliminary information released by the DoD on these dates, BRAC could have affected approximately 2,500 housing units located at the Submarine Base in New London, Connecticut; Portsmouth Naval Shipyard in Kittery, Maine; and Naval Air Station in Brunswick, Maine. On August 23, 2005, the BRAC Commission voted to remove the Submarine Base in New London,

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Connecticut and the Portsmouth Naval Shipyard in Kittery, Maine from the closure list. As a result, we now believe that the number of housing units that BRAC could affect at our military housing privatization projects has been reduced to approximately 700 units. In addition, some of the other bases for which we own and operate a military housing privatization project could be included in the final list of bases subject to BRAC. The final list of bases subject to BRAC should, if the full process proceeds as set forth in the Defense Base Closure and Realignment Act of 1990, as amended, be completed by the end of 2005. With regard to our Navy Northeast project, we are currently in discussions with the Department of the Navy to negotiate a change order that would temporarily suspend portions of the development work at the New London, Kittery, and Brunswick locations, and reduce the number of end-state housing units to be completed for the initial development period. We expect to reach a favorable outcome with the Navy during the third quarter of 2005. In the event that a change order is implemented, we expect to continue to collect management, development, and construction/renovation fees, and that our overall earnings for 2005 would not be materially reduced.

With respect to our other projects, the BRAC Commission has recommended that the Walter Reed Army Medical Center in Washington, DC be closed and that Fort Eustis in Newport News, Virginia be realigned. We do not currently expect this closure and realignment to have a material impact on our financial statements. Specifically, we believe that the closure of Walter Reed will not result in the loss of housing units, as these housing units are likely to be utilized by personnel who will be relocated from serving at Walter Reed to serving at nearby military medical facilities.

In addition, significant increases in housing requirements are expected at Fort Bliss in El Paso, Texas and Fort Carson in Colorado Springs, Colorado. Additional restationing of troops from Europe could further boost housing requirements at our current bases.

Under the BRAC regulations, the DoD submitted a list of recommendations that were reviewed by a nine-member BRAC Commission that was appointed by President Bush earlier this year. The BRAC Commission will report back to the President by September 8, 2005 regarding its findings on, and any recommended changes to, the DoD's initial report. President Bush accepted the BRAC Commission's recommendations on September 15, 2005. Congress has 45 "legislative" days from that date to reject the recommendations in their entirety or they become binding on the DoD.

The military housing privatization initiative had not been undertaken at the time of previous BRAC rounds, and therefore there is no historical information regarding the impact of a base closure on a military housing privatization project. To date, there has been no indication from the DoD or the BRAC Commission that the federal government has factored into its analysis of the BRAC list the existence of a military housing privatization project or the possible effects that a base closure or realignment could have with respect to the outstanding debt financing for a project. In addition, prior BRAC rounds have shown that even once a base is approved for closure or realignment, the actual closing or realignment of the base could take several years to be completed. As a result, we are unable to determine with any certainty the specific impact that closures and realignments of the bases under any of our projects will have on our military housing operating results, other than the above discussion regarding the possible cessation of our receipt of fees.

### **Critical Accounting Policies**

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements and our predecessor entities' combined financial statements, prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While the estimates and judgments associated with the application of these accounting principles may be affected

by different assumptions or conditions, we believe the estimates and judgments associated with the reported amounts are appropriate under the circumstances in which they were made. In addition, other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those companies.

The following policies require significant judgments and estimates on our part in preparing our consolidated financial statements and the combined financial statements of our predecessor entities. Changes in these judgments and estimates could have a material effect on these financial statements.

### ***Revenue Recognition***

*Student Housing.* Student housing revenue includes rental revenue and other property income, standard and incentive management fees, asset management fees and reimbursements of certain operating expenses. These sources of revenue are described in more detail below:

we recognize student housing rental revenue when due over the lease terms, which are generally 12 months or less;

standard management fees are based on a percentage of monthly cash receipts or gross monthly rental and other revenues generated by the properties managed for others. We recognize these fees when cash is received by the property or when revenue is earned by the managed property, depending upon whether the management agreement relating to a student housing property calls for cash versus accrual revenue recognition;

we earn incentive management fees as a result of the achievement of certain operating performance criteria over a specified period by certain managed properties, including targeted annual debt service coverage ratios, and recognize these fees at the amount that would be due under the contract if the contract was terminated on the balance sheet date;

asset management fees are based on a percentage of the gross carrying value of certain properties managed for related parties, and we recognize these fees when earned in accordance with the respective management agreements; and

expense reimbursements are comprised primarily of salary and related costs of our employees working at certain properties we manage for others, the cost of which is reimbursed by the owners of the related properties. We accrue operating expense reimbursements as the related expenses are incurred.

*Military Housing.* We earn military housing revenues by providing services to our military housing privatization projects, which include the following:

standard management fees, based on a percentage of revenue generated by the military housing privatization projects from the basic allowance for housing provided by the government to service members, referred to as BAH, are recognized when the revenue is earned by the military housing privatization projects. Incentive management fees are based upon the satisfaction of certain criteria including, among other things, satisfying designated benchmarks relating to emergency work order response, occupancy rates, home turnover and resident satisfaction surveys. Incentive management fees are recognized when management determines that the various criteria stipulated in the management contract have been satisfied, though we collect them on a periodic basis in arrears in accordance with a schedule agreed to with each project owner. If incentive fees that we recognize as revenue are not collected, whether because the applicable criteria were ultimately determined not to have been satisfied or otherwise, we would be required to record a charge equal to the previously recognized revenue;

standard development and construction/renovation fees, based on a percentage of development and construction/renovation costs incurred by the military housing privatization projects

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including hard and soft costs and financing costs, are recognized on a monthly basis as the costs are incurred by the military housing privatization projects. Hard costs consist of costs relating to goods such as building components, furniture and equipment and other tangible assets; and soft costs consist of costs incurred relating to intangible services such as consulting, architectural and design services. Incentive development and construction/renovation fees are based upon the satisfaction of certain criteria including, among other things, completing a number of housing units according to schedule, achieving specific safety records and implementing small business or minority subcontracting plans. Incentive development and construction/renovation fees are recognized when the various criteria stipulated in the contract have been satisfied;

revenues on fixed-price renovation contracts are recorded on the percentage-of-completion method. When the percentage-of-completion method is used, contract revenue is recognized in the ratio that costs incurred to date bear to estimated costs at completion. Adjustments to cost estimates are made in the period in which the facts requiring such revisions become known. When the revised estimates indicate a loss, such loss is currently provided for in its entirety;

business development fees are earned from companies with which we have relationships in recognition of business development efforts and expenses incurred by us in connection with pursuing military housing privatization projects. The fees consist of (i) a base fee, which is a fee paid to us in consideration of our ongoing pursuit of additional projects, and paid regardless of whether a project is awarded, and (ii) an incentive fee, which is paid to us over the course of an awarded project based on a percentage of certain development costs incurred by the project. The base fees are recognized on a straight-line basis over the term of the related business development agreement. The incentive fees are recognized as the related costs are incurred by the respective military housing privatization projects;

preferred returns are earned on our investments in military housing privatization projects. The preferred returns are based on a fixed percentage of our investment in military housing privatization projects and are recognized as accrued at the rates specified in the agreements, subject to

projected availability of funds in the underlying project. Accrued preferred returns are periodically evaluated for collectibility; and

expense reimbursements are comprised primarily of salary and related costs of our employees working at the projects, CDMP costs (as described in "*Our Business and Properties*") and closing costs, transition expenses, and expenses related to project management and renovation contracts.

Deferred costs are subject to estimation and judgment. Management makes determinations as to which costs are eligible for reimbursement and at what level they will be reimbursed. Management considers various factors in making these estimates and judgments, including the terms of the specific contract and historical experience as to which costs are recoverable. Costs that are not probable of recovery are expensed.

### ***Real Estate Investments and Corporate Assets***

We carry real estate investments and corporate assets at cost, net of accumulated depreciation. Cost for acquired assets includes the purchase price and related closing costs. We allocate the cost of real estate investments to tangible and identified intangible assets based on relative fair values in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, which we refer to as SFAS 141. We estimate fair value based on information that we obtain from a number of sources, including our due diligence, marketing and leasing activities, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data.

The value of in-place leases is based on the difference between (i) the property valued with existing in-place leases, and (ii) the property valued as if vacant. As lease terms typically are 12 months or less, rates on in-place leases generally approximate market rental rates. Factors that we consider in the valuation of in-place leases include an estimate of incremental carrying costs during the expected lease-up periods considering current market conditions, and the nature of the tenancy. We amortize the value of in-place leases to expense over the remaining term of the respective leases.

Purchase prices of student housing properties to be acquired are not expected to be allocated to tenant relationships considering the terms of the leases and the expected levels of renewals.

We expense routine repair and maintenance expenditures that do not improve the value of an asset or extend its useful life, including turnover costs such as cleaning and interior painting. We capitalize expenditures that improve the value and extend the useful life of an asset. We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is 40 years for buildings including student housing properties and the commercial office building, and three to five years for residential furniture and appliances.

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which we refer to as SFAS 144, we review long-lived assets, such as real estate investments and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These circumstances may include, but are not limited to, operational performance, market conditions and competition from other off-campus properties and on-campus housing, legal and environmental concerns, and results of appraisals or other information obtained as part of a financing or disposition strategy. We review recoverability of assets to be held and used through a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, we recognize an impairment charge in the amount by which the carrying value of the asset exceeds the fair value of the asset determined using customary valuation techniques, such as the present value of expected future cash flows. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and no longer would be depreciated.

#### ***Allowance for Doubtful Accounts***

We estimate the collectibility of receivables generated by rental and other income as a result of the operation of our student housing properties. If we believe that the collectibility of certain amounts is questionable, we record a specific reserve for these amounts to reduce the amount outstanding to an amount we believe will be collectible and a reserve for all other accounts based on a range of percentages applied to aging categories. We determine the amount of this reserve on historical collection and write-off experience.

We also evaluate the collectibility of fee income and expense reimbursements generated by the management of student housing properties owned by others, and through the provision of development, construction, renovation and management services to our military housing privatization projects, based upon the individual facts and circumstances of each situation, and record a reserve for specific amounts, if necessary. Accounts receivable are stated net of the allowance for doubtful accounts.

#### ***Notes Payable***

We record notes payable that we assume in connection with the acquisition of student housing properties at their estimated fair value, with the corresponding difference between the estimated fair value and assumed carrying value of the notes payable recorded as an adjustment to the purchase price of the related property. We determine fair value of assumed notes payable based on various

assumptions related to market conditions, including the type, age and location of the acquired property and quoted interest rates for debt with similar terms.

#### ***Minority Interest***

Minority interest, as initially recorded at the date of our initial public offering, represented the net equity of the operating partnership, including the proceeds received from the sale of the warrant to Vornado, multiplied by the ownership percentage of holders of limited partnership units, other than us, in our operating partnership. Our operating partnership is obligated to redeem, at the request of a holder, each unit of limited partnership interest for cash or common shares on a one-for-one basis, subject to adjustments for share splits, dividends, recapitalizations or similar events. If the minority interest unit holders' share of a current year loss would cause the minority interest balance to be less than zero, the minority interest balance will be reported as zero unless there is an obligation of the minority interest holders to fund those losses. Any losses in excess of the minority interest will be charged against equity. If future earnings materialize, equity will be credited for all earnings up to the amount of those losses previously absorbed. Distributions to limited partnership unit holders other than us are recorded as a reduction to minority interest.

#### ***Investments in Military Housing Privatization Projects***

We evaluate each of our investments in military housing privatization projects to determine if the underlying entity is a variable interest entity, or VIE, as defined under Financial Accounting Standards Board Financial Interpretation No. 46 (as revised), or FIN 46. If an entity is deemed to be a VIE pursuant to FIN 46, the entity that absorbs a majority of the expected losses of the VIE is deemed to be the primary beneficiary and must consolidate the VIE. If the entity is not a VIE, it is evaluated for consolidation based on controlling voting interests. If we have the majority voting interest with the ability to control operations and where no approval, veto or other important rights have been granted to other holders, the entity would be consolidated. We are not the primary beneficiary of any VIEs, nor do we have controlling voting interests in any of our military housing privatization projects. We record investments in military housing privatization projects initially at our cost and subsequently adjust them to reflect our preferred return and other distributions.

#### ***Income Taxes***

We elected to be taxed as a REIT in connection with the filing of our tax return for the taxable year ended on December 31, 2004. We have elected to treat certain subsidiaries of our operating partnership as taxable REIT subsidiaries, and may make such elections as to other subsidiaries in the future. In general, a taxable REIT subsidiary may perform real estate and non-real estate-related business, except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated. Our taxable REIT subsidiaries are subject to federal income tax on their taxable income at regular corporate rates.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate tax rates.

We have elected to treat GMH Military Housing, LLC and College Park Management TRS, Inc. as taxable REIT subsidiaries. College Park Management TRS, Inc. is a wholly-owned subsidiary of College Park Management, LLC (which is a successor through merger to College Park Management, Inc., one of our predecessor entities). We also have made taxable REIT subsidiary elections for three inactive corporations. See Note 1 to the financial statements for the period ended June 30, 2005, included in this prospectus.

## Results of Operations

Our results of operations represent the operations of our student housing, military housing and corporate operating segments. The following significant factors affected our results of operations for the three and six months ended June 30, 2005 as compared to the three and six months ended June 30, 2004:

In November 2004, we completed our initial public offering pursuant to which we sold an aggregate of 30,350,989 common shares and raised an aggregate of \$331.7 million in net proceeds.

In 2004, subsequent to the formation of GMH Communities Trust in May 2004, we acquired 30 student housing properties for an aggregate acquisition cost of \$634.4 million. During the three months ended March 31, 2005, we acquired eight student housing properties with an aggregate of 1,607 units and 4,795 beds for an aggregate acquisition cost of approximately \$172.7 million. During the three months ended June 30, 2005, we acquired eight student housing properties with an aggregate of 1,354 units and 4,300 beds for an aggregate acquisition cost of approximately \$146.4 million. These student housing properties contributed \$29.7 million and \$55.4 million of rent and other property revenue in the three and six months ended June 30, 2005, respectively.

The Fort Stewart and Hunter Army Airfield and Fort Carson military housing privatization projects both commenced operations in the fourth quarter of 2003; the Fort Hamilton military housing project commenced operations in the second quarter of 2004; the Walter Reed Army Medical Center and Fort Detrick military housing project commenced operations in the third quarter of 2004; and the Fort Eustis/Fort Story and the Navy Northeast military housing privatization projects both commenced operations in the fourth quarter of 2004. These military housing privatization projects contributed \$18.4 million and \$32.2 million of revenue in the three and six months ended June 30, 2005, respectively.

In November 2004, we entered into a \$150.0 million three-year unsecured revolving credit facility with a syndicate of banks. During the first and second quarters of 2005, the credit facility was used to fund student housing acquisitions and to pay dividend distributions to our shareholders.

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The results of operations presented below reflect the results of operations of our predecessor entities for the three and six months ended June 30, 2004, and our results of operations for the three and six months ended June 30, 2005.

### *Comparison of the Three Months Ended June 30, 2005 to the Three Months Ended June 30, 2004*

| Three Months Ended June 30,                                    |                  |                 |                   |                             |                  |               |                 |               |
|----------------------------------------------------------------|------------------|-----------------|-------------------|-----------------------------|------------------|---------------|-----------------|---------------|
| 2005 (Company)                                                 |                  |                 |                   | 2004 (Predecessor Entities) |                  |               |                 |               |
| Student Housing                                                | Military Housing | Corporate       | Total             | Student Housing             | Military Housing | Corporate     | Total           |               |
| (dollars in thousands)                                         |                  |                 |                   |                             |                  |               |                 |               |
| <b>Revenue:</b>                                                |                  |                 |                   |                             |                  |               |                 |               |
| Rent and other property income                                 | \$ 29,702        | \$              | \$ 61             | \$ 29,763                   | \$               | \$            | \$ 136          | \$ 136        |
| <b>Expense reimbursements:</b>                                 |                  |                 |                   |                             |                  |               |                 |               |
| Related party                                                  |                  | 12,869          | 122               | 12,991                      | 283              | 6,193         | 49              | 6,525         |
| Third party                                                    | 1,303            |                 |                   | 1,303                       | 1,939            |               |                 | 1,939         |
| <b>Management fees:</b>                                        |                  |                 |                   |                             |                  |               |                 |               |
| Related party                                                  |                  | 1,645           | 1,645             | 450                         | 854              |               |                 | 1,304         |
| Third party                                                    | 1,011            |                 | 1,011             | 1,982                       | 325              |               |                 | 2,307         |
| Other fee income-related party                                 |                  | 3,850           | 3,850             |                             | 948              | 119           |                 | 1,067         |
| Other income                                                   | 22               |                 | 34                | 56                          |                  | 16            |                 | 16            |
| <b>Total revenue</b>                                           | <b>32,038</b>    | <b>18,364</b>   | <b>217</b>        | <b>50,619</b>               | <b>4,654</b>     | <b>8,336</b>  | <b>304</b>      | <b>13,294</b> |
| <b>Operating Expenses:</b>                                     |                  |                 |                   |                             |                  |               |                 |               |
| Property operating expenses                                    | 10,615           | 1,286           |                   | 11,901                      | 1,566            | 1,582         |                 | 3,148         |
| Reimbursed expenses                                            | 1,303            | 12,869          | 122               | 14,294                      | 2,222            | 6,193         | 49              | 8,464         |
| Real estate taxes                                              | 2,568            |                 |                   | 2,568                       |                  |               | 22              | 22            |
| Administrative expenses                                        |                  |                 | 2,741             | 2,741                       |                  |               | 472             | 472           |
| Depreciation and amortization                                  | 7,971            |                 | 99                | 8,070                       | 13               |               | 200             | 213           |
| Interest                                                       | 6,620            |                 | 220               | 6,840                       |                  |               | 68              | 68            |
| <b>Total operating expenses</b>                                | <b>29,077</b>    | <b>14,155</b>   | <b>3,182</b>      | <b>46,414</b>               | <b>3,801</b>     | <b>7,775</b>  | <b>811</b>      | <b>12,387</b> |
| <b>Income (loss) before minority interest and income taxes</b> | <b>2,961</b>     | <b>4,209</b>    | <b>(2,965)</b>    | <b>4,205</b>                | <b>853</b>       | <b>561</b>    | <b>(507)</b>    | <b>907</b>    |
| <b>Minority interest</b>                                       | <b>1,853</b>     | <b>2,493</b>    | <b>(1,856)</b>    | <b>2,490</b>                |                  |               |                 |               |
| <b>Income (loss) before income taxes</b>                       | <b>1,108</b>     | <b>1,716</b>    | <b>(1,109)</b>    | <b>1,715</b>                | <b>853</b>       | <b>561</b>    | <b>(507)</b>    | <b>907</b>    |
| <b>Income taxes</b>                                            | <b>34</b>        | <b>119</b>      |                   | <b>153</b>                  |                  |               |                 |               |
| <b>Net income (loss)</b>                                       | <b>\$ 1,074</b>  | <b>\$ 1,597</b> | <b>\$ (1,109)</b> | <b>\$ 1,562</b>             | <b>\$ 853</b>    | <b>\$ 561</b> | <b>\$ (507)</b> | <b>\$ 907</b> |

### *Student Housing*

**Revenue.** Of the 46 properties owned as of June 30, 2005, we acquired 30 of the student housing properties during the six months ended December 31, 2004, eight properties during the three months ended March 31, 2005, and the remaining eight properties during the three months ended June 30, 2005. Rent from these 46 properties totaled \$29.7 million for the three months ended June 30, 2005.

Expense reimbursements from related parties totaled \$0.3 million in 2004. There was not a corresponding amount in the three months ended June 30, 2005 because we acquired the two student housing properties to which the expense reimbursements related in March 2005. In addition, we ceased managing one student housing property in March 2005 because it was sold to a third party.



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Expense reimbursements from third parties decreased to \$1.3 million in 2005 from \$1.9 million in 2004, primarily due to our ceasing to provide services to three third party owned student housing properties due to the sale of the properties. We expect expense reimbursements, which relate to properties we manage but do not own, to become less significant as a percentage of our overall revenue as rental revenue earned from the properties that we do own continues to increase.

Management fee income from related parties was \$0.5 million in 2004. There was not a corresponding amount in the three months ended June 30, 2005 because we acquired two student housing properties from related parties in March 2005 that we managed prior to purchase. In addition, in March 2005 we ceased providing management services relating to an additional student housing property owned by a related party due to the sale of the property.

Management fee income from third parties decreased to \$1.0 million in 2005 from \$2.0 million in 2004, due to our ceasing to provide management services to three student housing properties owned by third parties upon the sale of the properties by the third parties. For the remainder of 2005, we expect management fees to contribute less significantly to total revenues in the future given the expected growth in rental revenue from the operations of properties we own.

*Expenses.* Property operating expenses increased to \$10.6 million in 2005 from \$1.6 million in 2004, primarily due to expenses attributable to the 46 properties acquired from July 2004 through June 2005. We expect expenses to increase significantly in the future as we acquire additional properties.

Reimbursed expenses decreased to \$1.3 million in 2005 from \$2.2 million in 2004, primarily due to our acquisition of the two student housing properties from related parties in March 2005 that we had managed prior to our purchase. In addition, in March 2005 we ceased providing management services relating to an additional student housing property owned by a third party due to the sale of the property by the third party.

Real estate taxes amounted to \$2.6 million in 2005 due to the acquisition of 46 properties from July 2004 through June 2005. We expect real estate taxes to increase significantly in the future as we acquire additional properties.

Depreciation and amortization increased to \$8.0 million in the three months ended June 30, 2005 from less than \$0.1 million in the three months ended June 30, 2004 as a result of acquiring 46 properties for an aggregate acquisition cost of \$953.8 million from July 2004 through June 2005. The \$8.0 million in 2005 is comprised of \$5.1 million of depreciation and \$2.9 million of lease intangible amortization. We expect depreciation and amortization to increase significantly in the future as we acquire additional properties.

Interest expense amounted to \$6.6 million in the three months ended June 30, 2005 as a result of our incurring debt, including through the placement of new mortgage debt and the assumption of existing mortgage debt and borrowings under our line of credit, in connection with the acquisition of 46 properties from July 2004 through June 2005. In the three months ended June 30, 2005, we borrowed \$329.0 million and repaid \$258.0 million under the line of credit. We expect interest expense to increase in the future as we incur additional debt to fund acquisitions and if interest rates increase.

We paid accrued income taxes of less than \$0.1 million in the three months ended June 30, 2005 related to taxable income in our taxable REIT subsidiary. There were no taxable REIT subsidiaries during the comparable period in 2004.

### ***Military Housing***

*Revenue.* Expense reimbursements totaled \$12.9 million in the second quarter of 2005 compared to \$6.2 million in the second quarter of 2004. Of the 2005 amount, \$4.0 million related to the Fort

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Stewart and Hunter Army Airfield project and \$2.6 million related to the Fort Carson project, both of which commenced operations in the fourth quarter of 2003; \$0.2 million related to the Fort Hamilton project, which commenced operations in the second quarter of 2004; \$0.2 million related to the Walter Reed Army Medical Center and Fort Detrick project, which commenced operations in the third quarter of 2004; \$0.8 million related to the Fort Eustis/Fort Story project and \$5.1 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004. Of the 2004 amount, \$3.8 million related to the Fort Carson project, \$1.1 million related to the Fort Stewart and Hunter Army Airfield project, \$0.6 million related to the Fort Hamilton project, and \$0.7 million related to costs incurred in the development of the CDMP, as described in *"Our Business and Properties,"* for the Fort Hamilton and Walter Reed Army Medical Center projects.

Management fees from related parties totaled \$1.6 million in the second quarter of 2005 compared to \$0.9 million in the second quarter of 2004. Of the 2005 amount, \$0.2 million related to the Fort Stewart and Hunter Army Airfield project and \$0.3 million related to the Fort Carson project, both of which commenced operations in the fourth quarter of 2003; \$0.1 million related to the Fort Hamilton project, which commenced operations in the second quarter of 2004; \$0.1 million related to the Walter Reed Army Medical Center and Fort Detrick project which commenced operations in the third quarter of 2004; \$0.1 million related to the Fort Eustis/Fort Story project and \$0.8 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004. Of the 2004 amount, \$0.4 million related to the Fort Carson project and \$0.5 million related to the Fort Stewart and Hunter Army Airfield project.

Other fee income totaled \$3.9 million in the second quarter of 2005 compared to \$0.9 million in the second quarter of 2004. Of the 2005 amount, \$2.6 million related to development and construction/renovation fees, \$0.8 million related to business development fees, and \$0.5 million related to preferred returns on the military housing investments. Of the \$2.6 million development and construction/renovation fees, \$1.1 million related to the Fort Stewart and Hunter Army Airfield project, which commenced operations in the fourth quarter of 2003; \$0.3 million related to the Fort Hamilton project, which commenced operations in the second quarter of 2004; \$0.3 million related to the Walter Reed Army Medical Center and Fort Detrick project which commenced operations in the third quarter of 2004; \$0.1 million related to the Fort Eustis/Fort Story project and \$0.8 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004. Of the \$0.5 million of preferred returns, \$0.2 million related to the Navy Northeast investment and \$0.3 million related to the Fort Carson investment. Of the \$0.9 million development and construction/renovation fees in 2004, \$0.1 million related to the Fort Carson project, \$0.5 million related to the Fort Stewart and Hunter Army Airfield project, and \$0.3 million related to the Fort Hamilton project.

*Expenses.* Property operating expenses include costs related to operating the military housing segment of our business. These costs decreased to \$1.3 million in the second quarter of 2005 from \$1.6 million in the second quarter of 2004, primarily due to costs incurred in 2004 related to the commencement of the Fort Hamilton project in June 2004.

Reimbursed expenses increased to \$12.9 million in 2005 from \$6.2 million in 2004 primarily due to increases in payroll expenses related to the six military housing privatization projects in operation as of June 30, 2005, some of which were not in operation as of June 30, 2004; closing costs and transition expenses for the Fort Hamilton, Walter Reed, Fort Detrick, Fort Eustis/Fort Story, and Navy Northeast projects; and expenses relating to the Fort Carson project's management and renovation contracts.

### *Corporate*

Rental revenue and expense reimbursements, which were recognized with respect to the portions of our corporate headquarters leased to entities affiliated with Gary M. Holloway, Sr., and payroll and

related expenses reimbursed by entities affiliated with Mr. Holloway for the provision of common services, remained unchanged at \$0.2 million in the three months ended June 30, 2005 and 2004.

Other fee income-related party, consisting of income earned from entities affiliated with Gary M. Holloway, Sr. for use of the corporate aircraft and interest income, was \$0.1 million in 2004. No such fees were recognized in the comparable period of 2005 because we did not own the aircraft during that period, having sold it to Mr. Holloway in February 2005.

Administrative expenses, primarily relating to management of our corporate office, accounting, legal, human resources and information technology, and corporate aircraft, increased to \$2.7 million in the three months ended June 30, 2005 from \$0.5 million in the three months ended June 30, 2004, primarily due to increased staffing and additional costs incurred in connection with becoming a public company and growth in our operating segments.

Depreciation, relating primarily to our corporate headquarters, decreased slightly to \$0.1 million in the three months ended June 30, 2005 from \$0.2 million in the three months ended June 30, 2004, primarily due to the sale and transfer of an interest in a corporate aircraft in February 2005.

Interest expense increased to \$0.2 million in the three months ended June 30, 2005 from \$0.1 million in the three months ended June 30, 2004, primarily due to an increase in the interest rate on our corporate headquarters loan.

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## Comparison of the Six Months Ended June 30, 2005 to the Six Months Ended June 30, 2004

Six Months Ended June 30,

|                                                         | 2005 (Company)  |                  |                   |                 | 2004 (Predecessor) |                  |                 |               |
|---------------------------------------------------------|-----------------|------------------|-------------------|-----------------|--------------------|------------------|-----------------|---------------|
|                                                         | Student Housing | Military Housing | Corporate         | Total           | Student Housing    | Military Housing | Corporate       | Total         |
| (dollars in thousands)                                  |                 |                  |                   |                 |                    |                  |                 |               |
| <b>Revenue:</b>                                         |                 |                  |                   |                 |                    |                  |                 |               |
| Rent and other property income                          | \$ 55,554       | \$               | \$ 122            | \$ 55,676       | \$                 | \$               | \$ 270          | \$ 270        |
| Expense reimbursements:                                 |                 |                  |                   |                 |                    |                  |                 |               |
| Related party                                           | 186             | 21,335           | 211               | 21,732          | 1,011              | 7,148            | 97              | 8,256         |
| Third party                                             | 2,577           |                  |                   | 2,577           | 3,280              |                  |                 | 3,280         |
| Management fees:                                        |                 |                  |                   |                 |                    |                  |                 |               |
| Related party                                           | 197             | 3,316            |                   | 3,513           | 823                | 1,362            |                 | 2,185         |
| Third party                                             | 1,651           |                  |                   | 1,651           | 2,670              | 650              |                 | 3,320         |
| Other fee income-related party                          |                 | 7,512            | 31                | 7,543           |                    | 948              | 263             | 1,211         |
| Other income                                            | 75              | 21               | 37                | 133             | 44                 | 46               |                 | 90            |
| <b>Total revenue</b>                                    | <b>60,240</b>   | <b>32,184</b>    | <b>401</b>        | <b>92,825</b>   | <b>7,828</b>       | <b>10,154</b>    | <b>630</b>      | <b>18,612</b> |
| <b>Operating Expenses:</b>                              |                 |                  |                   |                 |                    |                  |                 |               |
| Property operating expenses                             | 19,756          | 2,838            |                   | 22,594          | 2,839              | 2,781            |                 | 5,620         |
| Reimbursed expenses                                     | 2,763           | 21,335           | 211               | 24,309          | 4,291              | 7,148            | 97              | 11,536        |
| Real estate taxes                                       | 4,575           |                  |                   | 4,575           |                    |                  | 43              | 43            |
| Administrative expenses                                 |                 |                  | 5,673             | 5,673           |                    |                  | 697             | 697           |
| Depreciation and amortization                           | 14,537          |                  | 307               | 14,844          | 11                 | 8                | 399             | 418           |
| Interest                                                | 11,782          |                  | 465               | 12,247          |                    |                  | 157             | 157           |
| <b>Total operating expenses</b>                         | <b>53,413</b>   | <b>24,173</b>    | <b>6,656</b>      | <b>84,242</b>   | <b>7,141</b>       | <b>9,937</b>     | <b>1,393</b>    | <b>18,471</b> |
| Income (loss) before minority interest and income taxes | 6,827           | 8,011            | (6,255)           | 8,583           | 687                | 217              | (763)           | 141           |
| Minority interest                                       | 3,440           | 3,981            | (3,158)           | 4,263           |                    |                  |                 |               |
| Income (loss) before income taxes                       | 3,387           | 4,030            | (3,097)           | 4,320           | 687                | 217              | (763)           | 141           |
| Income taxes                                            | 45              | 893              |                   | 938             |                    |                  |                 |               |
| <b>Net income (loss)</b>                                | <b>\$ 3,342</b> | <b>\$ 3,137</b>  | <b>\$ (3,097)</b> | <b>\$ 3,382</b> | <b>\$ 687</b>      | <b>\$ 217</b>    | <b>\$ (763)</b> | <b>\$ 141</b> |

### Student Housing

**Revenue.** Of the 46 properties owned as of June 30, 2005, we acquired 30 of the student housing properties during the six months ended December 31, 2004, and the remaining 16 properties during the six months ended June 30, 2005. Rent from these 46 properties totaled \$55.6 million for the six months ended June 30, 2005.

Expense reimbursements from related parties decreased to \$0.2 million in the six months ended June 30, 2005 from \$1.0 million in the six months ended June 30, 2004, primarily due our acquisition of two student housing properties from related parties in March 2005, which we had managed prior to purchase. In addition, we ceased managing one student housing property in March 2005 as it was sold to a third party.

Expense reimbursements from third parties decreased to \$2.6 million in 2005 from \$3.3 million in 2004, primarily due to our ceasing to provide services to a student housing property owned by a third party due to the sale of the property. We expect expense reimbursements, which

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relate to properties we manage but do not own, to become less significant as a percentage of our overall revenue as rental revenue earned from the properties that we do own continues to increase.

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Management fee income from related parties decreased to \$0.2 million in 2005 from \$0.8 million in 2004. The decrease in management fee income was primarily due to our acquisition of two student housing properties from related parties in March 2005 that we had managed prior to purchase. In addition, in March 2005 we ceased providing management services relating to an additional student housing property owned by a related party due to the sale of the property.

Management fee income from third parties decreased to \$1.7 million in 2005 from \$2.7 million in 2004, primarily due to our ceasing to manage three student housing properties owned by third parties upon the sale of the properties. For the remainder of 2005, we expect management fees to contribute less significantly to total revenues in the future given the expected growth in rental revenue from the operations of properties we own.

*Expenses.* Property operating expenses increased to \$19.8 million in 2005 from \$2.8 million in 2004, primarily due to expenses attributable to the 46 properties acquired from July 2004 through June 2005. We expect expenses to increase significantly in the future as we acquire additional properties.

Reimbursed expenses decreased to \$2.8 million in 2005 from \$4.3 million in 2004, primarily due to our acquisition of the two student housing properties from related parties in March 2005 that we had managed prior to our purchase. In addition, during the six months ended June 30, 2005, we ceased providing management services relating to three student housing properties owned by third parties and a student housing property owned by a related party due to the sale of the properties.

Real estate taxes amounted to \$4.6 million in 2005 due to the acquisition of 46 properties from July 2004 through June 2005. We expect real estate taxes to increase significantly in the future as we acquire additional properties.

Depreciation and amortization increased to \$14.5 million in 2005 from less than \$0.1 million in 2004 as a result of acquiring 46 properties for an aggregate acquisition cost of \$953.8 million from July 2004 through June 2005. The \$14.5 million in 2005 is comprised of \$9.3 million of depreciation and \$5.2 million of lease intangible amortization. We expect depreciation and amortization to increase significantly in the future as we acquire additional properties.

Interest expense amounted to \$11.8 million in 2005 as a result of our incurring debt, including through the placement of new mortgage debt and the assumption of existing mortgage debt, and borrowings under our line of credit, in connection with the acquisition of 46 properties from July 2004 through June 2005. In 2005, we borrowed \$329.0 million and repaid \$258.0 million under the line of credit. We expect interest expense to increase in the future as we incur additional debt to fund acquisitions and if interest rates increase.

Income taxes amounted to less than \$0.1 million in 2005 as a result of taxable income in our taxable REIT subsidiary. There were no taxable REIT subsidiaries during the comparable period in 2004.

### ***Military Housing***

*Revenue.* Expense reimbursements totaled \$21.3 million in 2005 compared to \$7.1 million in 2004. Of the 2005 amount, \$6.0 million related to the Fort Stewart and Hunter Army Airfield project and \$5.0 million related to the Fort Carson project, both of which commenced operations in the fourth quarter of 2003; \$0.3 million related to the Fort Hamilton project, which commenced operations in the second quarter of 2004; \$0.5 million related to the Walter Reed Army Medical Center and Fort Detrick project, which commenced operations in the third quarter of 2004; \$1.4 million related to the Fort Eustis/Fort Story project and \$8.1 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004. Of the 2004 amount, \$1.1 million related to the Fort Stewart and Hunter Army Airfield project, \$4.8 million related to the Fort Carson project, \$0.6 million related to the Fort Hamilton project, and \$0.6 million related to costs incurred in the development of CDMP for the Fort Hamilton and Walter Reed Army Medical Center projects.

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Management fees from related parties totaled \$3.3 million in 2005 compared to \$1.4 million in 2004. Of the 2005 amount, \$0.5 million related to the Fort Stewart and Hunter Army Airfield project and \$0.7 million related to the Fort Carson project, both of which commenced operations in the fourth quarter of 2003; \$0.1 million related to the Fort Hamilton project, which commenced operations in the second quarter of 2004; \$0.1 million related to the Walter Reed Army Medical Center and Fort Detrick project which commenced operations in the third quarter of 2004; \$0.3 million related to the Fort Eustis/Fort Story project and \$1.6 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004. Of the 2004 amount, \$0.6 million related to the Fort Carson project and \$0.8 million related to the Fort Stewart and Hunter Army Airfield project.

Other fee income totaled \$7.5 million in 2005 compared to \$0.9 million in 2004. Of the 2005 amount, \$5.1 million related to development and construction/renovation fees earned from related parties, \$1.5 million related to business development fees, and \$0.9 million related to preferred returns on the military housing investments. Of the \$5.1 million of development and construction/renovation fees, \$2.0 million related to the Fort Stewart and Hunter Army Airfield project, which commenced operations in the fourth quarter of 2003; \$0.5 million related to the Fort Hamilton project, which commenced operations in June 2004; \$0.6 million related to the Walter Reed Army Medical Center and Fort Detrick project which commenced operations in July 2004; \$0.3 million related to the Fort Eustis/Fort Story project and \$1.7 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004. Of the \$0.9 million of preferred returns, \$0.4 million related to the Navy Northeast investment and \$0.5 million related to the Fort Carson investment. Of the \$0.9 million development and construction/renovation fees in 2004, \$0.1 million related to the Fort Carson project, \$0.3 million related to the Fort Hamilton project, and \$0.5 million related to the Fort Stewart Hunter Army Airfield project.

*Expenses.* Property operating expenses include costs related to operating the military housing segment of our business. These costs were unchanged at \$2.8 million in 2005 and 2004.

Reimbursed expenses increased to \$21.3 million in 2005 from \$7.1 million in 2004 primarily due to payroll expenses related to the six military housing privatization projects in operation as of June 30, 2005; closing costs and transition expenses for the Fort Hamilton, Walter Reed, Fort Detrick, Fort Eustis/Fort Story, and Navy Northeast projects; and expenses relating to the Fort Carson project's management and renovation contracts.

### ***Corporate***

Rental revenue and expense reimbursements, recognized with respect to the portions of our corporate headquarters leased to entities affiliated with Gary M. Holloway, Sr., and payroll and related expenses reimbursed by entities affiliated with Mr. Holloway for the provision of common services, remained unchanged at \$0.3 million in 2005 and 2004.

Other fee income-related party and other income, consisting primarily of interest income and fees earned from entities affiliated with Gary M. Holloway, Sr., decreased slightly to \$0.1 million in 2005 from \$0.3 million in 2004.

Administrative expenses, primarily relating to management of our corporate office, accounting, legal, human resources and information technology, and corporate aircraft, increased to \$5.7 million in 2005 from \$0.7 million in 2004 primarily due to increased staffing and additional costs incurred in connection with becoming a public company and growth in our operating segments.

Depreciation, relating primarily to our corporate headquarters, decreased slightly to \$0.3 million in 2005 from \$0.4 million in 2004 primarily due to the sale and transfer of an interest in a corporate aircraft in February 2005.

Interest expense increased to \$0.5 million in 2005 from \$0.2 million in 2004 primarily due to an increase in the interest rate on our corporate headquarters loan and the corporate aircraft loan.

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## Comparison of the Year Ended December 31, 2004 to the Year Ended December 31, 2003

|                                                                                                        | 2004            |                  |                    |                    | 2003            |                   |                   |                   |
|--------------------------------------------------------------------------------------------------------|-----------------|------------------|--------------------|--------------------|-----------------|-------------------|-------------------|-------------------|
|                                                                                                        | Student Housing | Military Housing | Corporate          | Total              | Student Housing | Military Housing  | Corporate         | Total             |
| (dollars in thousands)                                                                                 |                 |                  |                    |                    |                 |                   |                   |                   |
| <b>Revenue:</b>                                                                                        |                 |                  |                    |                    |                 |                   |                   |                   |
| Rent and other property income                                                                         | \$ 25,251       | \$               | \$ 399             | \$ 25,650          | \$              | \$                | \$ 636            | \$ 636            |
| Expense reimbursements:                                                                                |                 |                  |                    |                    |                 |                   |                   |                   |
| Related party                                                                                          | 1,140           | 31,822           | 347                | 33,309             | 230             | 2,921             | 122               | 3,273             |
| Third party                                                                                            | 7,203           |                  |                    | 7,203              | 7,318           |                   |                   | 7,318             |
| Management fees:                                                                                       |                 |                  |                    |                    |                 |                   |                   |                   |
| Related party                                                                                          | 1,458           | 2,897            |                    | 4,355              | 2,432           | 1,460             |                   | 3,892             |
| Third party                                                                                            | 3,986           |                  |                    | 3,986              | 2,624           |                   |                   | 2,624             |
| Other fee income-related party                                                                         |                 | 8,460            |                    | 8,460              |                 | 450               | 392               | 842               |
| Other income                                                                                           | 126             | 393              | 396                | 915                | 226             |                   | 4                 | 230               |
| Total revenue                                                                                          | 39,164          | 43,572           | 1,142              | 83,878             | 12,830          | 4,831             | 1,154             | 18,815            |
| <b>Operating Expenses:</b>                                                                             |                 |                  |                    |                    |                 |                   |                   |                   |
| Property operating expenses                                                                            | 16,258          | 6,497            |                    | 22,755             | 5,001           | 4,217             |                   | 9,218             |
| Reimbursed expenses                                                                                    | 8,343           | 31,822           | 347                | 40,512             | 7,548           | 2,921             | 122               | 10,591            |
| Real estate taxes                                                                                      | 1,887           |                  |                    | 1,887              |                 |                   | 83                | 83                |
| Administrative expenses                                                                                |                 |                  | 4,439              | 4,439              |                 |                   | 1,405             | 1,405             |
| Profits interest and employee initial public offering bonus expense                                    |                 |                  | 37,502             | 37,502             |                 |                   |                   |                   |
| Depreciation and amortization                                                                          | 6,214           | 25               | 915                | 7,154              | 24              |                   | 798               | 822               |
| Interest                                                                                               | 5,579           |                  | 493                | 6,072              |                 |                   | 396               | 396               |
| Total operating expenses                                                                               | 38,281          | 38,344           | 43,696             | 120,321            | 12,573          | 7,138             | 2,804             | 22,515            |
| Income (loss) before equity in earnings of unconsolidated entities, minority interest and income taxes | 883             | 5,228            | (42,554)           | (36,443)           | 257             | (2,307)           | (1,650)           | (3,700)           |
| Equity in earnings of unconsolidated entities                                                          |                 |                  |                    |                    | 751             |                   |                   | 751               |
| Income (loss) before minority interest and income taxes                                                | 883             | 5,228            | (42,554)           | (36,443)           | 1,008           | (2,307)           | (1,650)           | (2,949)           |
| Minority interest                                                                                      |                 |                  | 247                | 247                |                 |                   |                   |                   |
| Income (loss) before income taxes                                                                      | 883             | 5,228            | (42,801)           | (36,690)           | 1,008           | (2,307)           | (1,650)           | (2,949)           |
| Income taxes                                                                                           | 33              | 279              |                    | 312                |                 |                   |                   |                   |
| <b>Net income (loss)</b>                                                                               | <b>\$ 850</b>   | <b>\$ 4,949</b>  | <b>\$ (42,801)</b> | <b>\$ (37,002)</b> | <b>\$ 1,008</b> | <b>\$ (2,307)</b> | <b>\$ (1,650)</b> | <b>\$ (2,949)</b> |

### Student Housing

**Revenue.** We acquired 30 student housing properties in 2004. Rent and other property income from these properties totaled \$25.3 million for this period. Because we did not own any student housing properties in 2003, we had no rent and other property income for the period.

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Expense reimbursements from related parties increased to \$1.1 million for the year ended December 31, 2004 from \$0.2 million in 2003, primarily due to payroll reimbursements attributable to the properties acquired by related parties that we managed during the period from May 2003 through

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February 2004. Expense reimbursements from third parties decreased slightly to \$7.2 million for the year ended December 31, 2004 from \$7.3 million in 2003.

Management fee income from related parties was \$1.5 million for the year ended December 31, 2004, consisting of \$1.1 million of standard management fees and \$0.4 million of asset management fees, as compared to \$2.4 million in 2003, consisting of \$1.8 million of standard management fees and \$0.6 million of asset management fees. The \$0.7 million decrease in standard management fees and the \$0.2 million decrease in asset management fees resulted primarily from the disposition of three properties owned by related parties during the period from February 2003 through January 2004 due to the investment criteria of certain equity partners in those properties. Management fee income from third parties increased to \$4.0 million for the year ended December 31, 2004 from \$2.6 million in 2003, primarily due to increased revenue at the managed properties.

*Expenses.* Property operating expenses increased to \$16.3 million for the year ended December 31, 2004 from \$5.0 million in 2003, primarily due to expenses attributable to the 30 student housing properties acquired during the year ended December 31, 2004.

Reimbursed expenses increased to \$8.3 million for the year ended December 31, 2004 from \$7.5 million in 2003, primarily due to an increase in payroll costs associated with the acquisition of the properties by related parties during the period from May 2003 to February 2004.

Real estate taxes increased to \$1.9 million for the year ended December 31, 2004, primarily attributable to the 30 student housing properties acquired during the year ended December 31, 2004. We did not pay any real estate taxes during 2003 because we did not own any student housing properties during the period.

Depreciation and amortization increased to \$6.2 million for the year ended December 31, 2004 from less than \$0.1 million in 2003 related to the acquisition of 30 properties with an aggregate cost of approximately \$634.5 million for the year ended December 31, 2004.

Interest expense increased from \$5.6 million for the year ended December 31, 2004 from no interest expense in 2003 as a result of incurring \$360 million of debt in connection with the acquisition of 30 properties during the year ended December 31, 2004.

Equity in earnings of unconsolidated subsidiaries amounted to \$0.8 million for the year ended December 31, 2003 relating to a liquidating distribution received by College Park Management, Inc. in connection with its prior 40% interest in Atrium Pacific Avenue, LLC. College Park Management, Inc. discontinued recording its share of the losses of Atrium Pacific Avenue, LLC prior to 2002 because its investment was reduced to zero. In 2003, the real estate property owned by Atrium Pacific Avenue, LLC was sold and a liquidating distribution was paid to College Park Management, Inc.

### ***Military Housing***

*Revenue.* Expense reimbursements totaled \$31.8 million for the year ended December 31, 2004 compared to \$2.9 million in 2003. Of the 2004 amount, \$7.0 million related to the Fort Stewart and Hunter Army Airfield project and \$11.8 million related to the Fort Carson project, both of which commenced operations in the fourth quarter of 2003; \$0.9 million related to the Fort Hamilton project, which commenced operations in the second quarter of 2004; \$0.7 million related to the Walter Reed Army Medical Center and Fort Detrick project, which commenced operations in the third quarter of 2004; \$3.7 million related to the Fort Eustis/Fort Story project and \$6.7 million related to the Navy Northeast project, both of which commenced operations in the fourth quarter of 2004; and \$1.0 million related to reimbursement of costs incurred in the development of the CDMP for the Fort Hamilton Project, Walter Reed Army Medical Center/Fort Detrick project and the Fort Eustis/Fort Story project.

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Management fees from related parties increased to \$2.9 million for the year ended December 31, 2004 from \$1.5 million in the comparable period of 2003, primarily due to fees from the Fort Hamilton project, the Walter Reed Army Medical Center and Fort Detrick project, the Fort Eustis/Fort Story project and the Navy Northeast project. Of the \$2.9 million of fees in 2004, \$1.0 million related to the Fort Stewart and Hunter Army Airfield project and \$1.1 million related to the Fort Carson project; \$0.1 million related to the Fort Hamilton project and \$0.1 related to the Walter Reed Army Medical Center and Fort Detrick project; and less than \$0.1 million related to the Fort Eustis/Fort Story project and \$0.5 million related to the Navy Northeast project.

Other fee income from related parties increased to \$8.5 million for the year ended December 31, 2004 from \$0.5 million in 2003. The 2004 income consisted of \$6.3 million of development and construction/renovation fees and \$2.2 million of business development fees. Of the development and construction/renovation fees, \$2.3 million related to the Fort Stewart and Hunter Army Airfield project, \$0.8 million related to the Fort Carson project, \$0.5 million related to the Fort Hamilton project, \$1.0 million related to the Walter Reed Army Medical Center and Fort Detrick project and \$1.7 million related to the Navy Northeast project.

*Expenses.* Property operating expenses increased to \$6.5 million for the year ended December 31, 2004 from \$4.2 million in 2003, primarily due to staffing increases related to expansion of our planning, execution and management teams to address the needs of the military housing segment.

Reimbursed expenses increased to \$31.8 million for the year ended December 31, 2004 from \$2.9 million in 2003, primarily due to payroll expenses for Fort Stewart and Hunter Army Airfield, Fort Carson, Fort Hamilton, Fort Eustis/Fort Story, Navy Northeast, Walter Reed Army Medical Center and Fort Detrick that were in operation during 2004 but only a portion, if at all, during 2003; closing costs and transition expenses for Fort Hamilton and Walter Reed Army Medical Center and Fort Detrick; and expenses for the Fort Carson project and Fort Stewart and Hunter Army Airfield project management and renovation contracts.

### *Corporate*

Rental revenue and expense reimbursements relating to the lease of a portion of our corporate headquarters to entities affiliated with Gary M. Holloway, Sr. decreased slightly to \$0.7 million for the year ended December 31, 2004 from \$0.8 million in 2003.

Reimbursed expenses increased slightly to \$0.3 million for the year ended December 31, 2004 from \$0.1 million in 2003.

Administrative expenses increased to \$4.4 million for the year ended December 31, 2004 from \$1.4 million in 2003, due to increased staffing and additional costs incurred in connection with becoming a public company.

During the year ended December 31, 2004, \$37.5 million of compensation expense was recorded, consisting of \$33.2 million of profits interests awarded by Mr. Holloway to certain employees of our predecessor entities and other entities affiliated with Mr. Holloway in recognition of past services and \$4.3 million of bonuses paid by Mr. Holloway to other employees in connection with our initial public offering. The profits interests were paid to employees who were eligible to participate in the net proceeds or value received by Mr. Holloway upon the sale or disposition of certain student housing properties and the military housing business in excess of Mr. Holloway's equity investments in such assets. These employees rendered all services and satisfied all conditions necessary to earn the right to benefit from these profits interests as of the date that such profits interests were awarded. In accordance with Financial Accounting Standards Statement No. 5, *Accounting for Contingencies*, compensation expense relating to the award of these profits interests was required to be recognized by our predecessor entities when the sale or disposition of the assets resulting in proceeds received by

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Mr. Holloway in an amount in excess of his equity investment in such assets became probable. This amount became probable during the third quarter of 2004 when the remaining profits interests awards were amended to fix the value of such awards at \$33.2 million to be paid to these employees. Accordingly, we recognized compensation expense in this amount in the third quarter of 2004. Mr. Holloway's obligations regarding the profits interests were satisfied upon the transfer of units of limited partnership in our operating partnership with a value of \$33.2 million to these employees on November 2, 2004, the closing date of our initial public offering.

Depreciation, relating primarily to our headquarters and corporate aircraft, of \$0.9 million for the year ended December 31, 2004 slightly increased from the year ended December 31, 2003. In February 2005, we sold our interests in the entity that owned the corporate aircraft to Gary M. Holloway, Sr.

Interest expense of \$0.5 million for the year ended December 31, 2004 slightly increased from \$0.4 million for the year ended December 31, 2003.

## Comparison of the Year Ended December 31, 2003 to the Year Ended December 31, 2002

|                                                                           | 2003            |                   |                   |                   | 2002            |                   |                 |               |
|---------------------------------------------------------------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|-----------------|---------------|
|                                                                           | Student Housing | Military Housing  | Corporate         | Total             | Student Housing | Military Housing  | Corporate       | Total         |
| (dollars in thousands)                                                    |                 |                   |                   |                   |                 |                   |                 |               |
| <b>Revenue:</b>                                                           |                 |                   |                   |                   |                 |                   |                 |               |
| Rent and other property income                                            | \$              | \$                | \$ 636            | \$ 636            | \$              | \$                | \$ 736          | \$ 736        |
| Expense reimbursements:                                                   |                 |                   |                   |                   |                 |                   |                 |               |
| Related party                                                             | 230             | 2,921             | 122               | 3,273             | 107             |                   | 142             | 249           |
| Third party                                                               | 7,318           |                   |                   | 7,318             | 3,462           |                   |                 | 3,462         |
| Management fees:                                                          |                 |                   |                   |                   |                 |                   |                 |               |
| Related party                                                             | 2,432           | 1,460             |                   | 3,892             | 6,578           |                   |                 | 6,578         |
| Third party                                                               | 2,624           |                   |                   | 2,624             | 1,983           |                   |                 | 1,983         |
| Other fee income related party                                            |                 | 450               |                   | 450               |                 |                   |                 |               |
| Other income                                                              | 226             |                   | 396               | 622               | 264             |                   | 403             | 667           |
| <b>Total revenue</b>                                                      | <b>12,830</b>   | <b>4,831</b>      | <b>1,154</b>      | <b>18,815</b>     | <b>12,394</b>   |                   | <b>1,281</b>    | <b>13,675</b> |
| <b>Operating Expenses:</b>                                                |                 |                   |                   |                   |                 |                   |                 |               |
| Property operating expenses                                               | 5,001           | 4,217             |                   | 9,218             | 5,074           | 2,336             |                 | 7,410         |
| Reimbursed expenses                                                       | 7,548           | 2,921             | 122               | 10,591            | 3,569           |                   | 142             | 3,711         |
| Administrative expenses                                                   |                 |                   | 1,488             | 1,488             |                 |                   | 763             | 763           |
| Depreciation and amortization                                             | 24              |                   | 798               | 822               | 23              |                   | 798             | 821           |
| Interest                                                                  |                 |                   | 396               | 396               |                 |                   | 542             | 542           |
| <b>Total expenses</b>                                                     | <b>12,573</b>   | <b>7,138</b>      | <b>2,804</b>      | <b>22,515</b>     | <b>8,666</b>    | <b>2,336</b>      | <b>2,245</b>    | <b>13,247</b> |
| <b>Income (loss) before equity in earnings of unconsolidated entities</b> | <b>257</b>      | <b>(2,307)</b>    | <b>(1,650)</b>    | <b>(3,700)</b>    | <b>3,728</b>    | <b>(2,336)</b>    | <b>(964)</b>    | <b>428</b>    |
| <b>Equity in earnings on unconsolidated entities</b>                      | <b>751</b>      |                   |                   | <b>751</b>        |                 |                   |                 |               |
| <b>Net income (loss)</b>                                                  | <b>\$ 1,008</b> | <b>\$ (2,307)</b> | <b>\$ (1,650)</b> | <b>\$ (2,949)</b> | <b>\$ 3,728</b> | <b>\$ (2,336)</b> | <b>\$ (964)</b> | <b>\$ 428</b> |

***Student Housing***

*Revenue.* Expense reimbursements from related parties increased slightly to \$0.2 million for the year ended December 31, 2003 from \$0.1 million in 2002, primarily due to payroll reimbursements attributable to the properties acquired by related parties that we managed during the period from May 2003 through December 2003. Expense reimbursements from third parties increased to \$7.3 million for the year ended December 31, 2003 from \$3.5 million in 2002, primarily due to new management agreements entered into since December 31, 2002.

Management fee income from related parties was \$2.4 million for the year ended December 31, 2003, consisting of \$1.8 million of standard management fees and \$0.6 million of asset management fees, as compared to \$6.6 million in 2002, consisting of \$4.2 million of standard management fees and \$2.4 million of asset management fees. The \$2.4 million decrease in standard management fees and the \$1.8 million decrease in asset management fees resulted primarily from the disposition of three properties owned by related parties during 2003 due to the investment criteria of certain equity partners in these properties. Management fee income from third parties increased to \$2.6 million for the year ended December 31, 2003 from \$2.0 million in 2002, primarily due to a successful property tax appeal by a certain third party owner. The successful outcome of this appeal enabled us to collect \$1.1 million in fees related to prior periods for which recovery was previously deemed uncertain.

*Expenses.* Property operating expenses remained unchanged at \$5.0 million for the years ended December 31, 2003 and December 31, 2002.

Reimbursed expenses increased to \$7.5 million for the year ended December 31, 2003 from \$3.6 million in 2002, primarily due to an increase in payroll costs associated with the acquisition of the properties by related parties during the period from May 2003 to December 2003.

Equity in earnings of unconsolidated entities was \$0.8 million for the year ended December 31, 2003 primarily related to a liquidating distribution received upon the sale of College Park Management, Inc.'s prior investment in Atrium Pacific Avenue, LLC.

***Military Housing***

*Revenue.* Expense reimbursements totaled \$2.9 million for the year ended December 31, 2003. These reimbursements related to the Fort Stewart and Hunter Army Airfield project and the Fort Carson project, both of which commenced operations in the fourth quarter of 2003.

Management fees from related parties totaled \$1.5 million for the year ended December 31, 2003. These fees related to the Fort Stewart and Hunter Army Airfield project and the Fort Carson project, both of which commenced operations in the fourth quarter of 2003.

Other fee income from third parties totaled \$0.5 million for the year ended December 31, 2003. These income related to a business development fee earned for the Fort Stewart and Hunter Army Airfield project.

We had no revenue in 2002 because we had not entered into any agreements or made in investments in military housing privatization projects in 2002.

*Expenses.* Property operating expenses increased to \$4.2 million for the year ended December 31, 2003 from \$2.3 million in 2002, primarily due to staffing increases related to expansion of the planning, execution and management teams to address the needs of the military housing segment. We had no other expenses in 2002.

Reimbursed expenses were \$2.9 million for the year ended December 31, 2003, primarily due to payroll expenses for Fort Stewart and Hunter Army Airfield project and the Fort Carson project.

**Corporate**

Rental revenue and expense reimbursements relating to the lease of a portion of our corporate headquarters to entities affiliated with Gary M. Holloway, Sr. decreased slightly to \$0.8 million for the year ended December 31, 2003 compared to \$0.9 million in 2002.

Reimbursed expenses remained unchanged at \$0.1 million for the years ended December 31, 2003 and 2002.

Administrative expenses increased to \$1.4 million for the year ended December 31, 2003 from \$0.3 million in the comparable period of 2002 due to increased staffing and additional costs incurred in connection with acquiring and managing additional properties.

Depreciation, relating primarily to our headquarters and corporate aircraft, of \$0.8 million for the year ended December 31, 2003 was comparable to the year ended December 31, 2002.

Interest expense of \$0.4 million for the year ended December 31, 2003 decreased slightly from \$0.5 million for the year ended December 31, 2002.

**Liquidity and Capital Resources**

Short-term liquidity requirements consist primarily of funds necessary to pay operating expenses and other costs. These expenses and costs may include (i) recurring maintenance and capital expenditures to maintain and lease our properties, (ii) interest expense and scheduled principal payments on outstanding indebtedness, (iii) real estate taxes and insurance, (iv) corporate salaries, employee benefits and other corporate overhead and administrative expenses and (v) future distributions to shareholders and partners of our operating partnership. Our existing working capital and cash provided by operations, together with amounts available to us under our \$150.0 million revolving credit facility are expected to be sufficient to meet our short-term liquidity requirements. Availability under the credit facility as of June 30, 2005 was limited to a borrowing base amount equal to the sum of 60% of the value of an unencumbered asset pool as of the end of the previous quarter (which in no event may contain fewer than five student housing properties) and 50% of the annualized value of our cash flow from our management of military housing privatization projects and student housing properties in the previous quarter. The credit facility was obtained by our operating partnership in November 2004, and GMH Communities Trust serves as guarantor for the credit facility. Advances under the credit facility bear interest, at the election of the borrower, at a Eurodollar rate based on LIBOR or a base rate based on the prime rate announced by Bank of America, N.A., as the administrative agent of the facility, plus an "Applicable Rate," ranging from 1.50% to 2.00% for Eurodollar rate loans or 0.625% to 1.375% for base rate loans. The Applicable Rate is determined by the ratio of all liabilities to our total asset value, as defined in the credit facility. The credit facility also requires that we maintain certain corporate level financial covenants.

As of September 19, 2005, we had availability under the credit facility equal to \$150.0 million, of which \$106.0 million in borrowings was outstanding, and bearing interest rates ranging from 5.57% to 5.91%. As of September 19, 2005, there were no letters of credit outstanding under the credit facility.

In January 2005, we paid a dividend distribution to our shareholders in excess of a covenant under our credit facility that restricted us making distributions of greater than 95% of our funds from operations. We received a formal waiver of this instance of noncompliance with the financial covenant from our lenders. We and the lenders also agreed to modify the covenant related to the payment of dividends to shareholders for the year ended December 31, 2005. Under the terms of the modification, we are now restricted from paying distributions to our shareholders in 2005 in excess of 110% of our funds from operations. At the end of 2005, the financial covenant related to the payment of dividends will revert to the original terms.

Additionally, we did not reduce the aggregate amount of our outstanding variable-rate indebtedness as a percentage of our total outstanding indebtedness below 30% by February 8, 2005, as required by the terms of the credit facility. On February 24, 2005, we converted certain variable-rate loans secured by seven student housing properties to fixed-rate loans. As a result of this refinancing, we lowered our outstanding variable-rate indebtedness as a percentage of fixed-rate indebtedness below the 30% limit. We received a formal waiver from our lenders of this instance of noncompliance with the financial covenant for the period from February 8, 2005 through February 23, 2005.

At June 30, 2005, our leverage ratio exceeded the 60% ceiling set forth in the credit facility. We received a formal waiver of this instance of noncompliance with the financial covenant. Additionally, in August 2005, we entered into an amendment of the credit facility, under which the calculation of the borrowing base was revised to include cash flow from the military housing construction and development fees and to increase the total cash flow attributable to annualized fees from the management, construction and development of the military housing privatization projects and student housing properties from 35% to 50%. The amendment also increased the applicable interest rate ranges on outstanding borrowings under the credit facility to the following: 1.625% to 2.375% for Eurodollar rate loans or 0.75% to 1.75% for prime rate loans. The amendment also modified the calculation of the leverage ratio and increased the maximum leverage ratio from 60% to 65% through December 31, 2005. At the end of the first quarter of 2006, the maximum leverage ratio will revert to 60%.

We elected to be treated as a REIT for federal income tax purposes in connection with the filing of our tax return relating to the fiscal year ended December 31, 2004. As a REIT, we are required to distribute at least 90% of our REIT taxable income to our shareholders on an annual basis. Therefore, except as discussed below, as a general matter, a substantial portion of cash generated by our operations will be used to fund distributions to shareholders and holders of limited partnership interests in our operating partnership, and will not be available to satisfy our liquidity needs.

Future dividends and distributions will be declared at the discretion of our board of trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other such factors as our board of trustees deems relevant. We expect that during most of 2005, our cash flow from operations will be insufficient to fund our anticipated dividend distributions. Therefore, we expect to rely on amounts available under our credit facility or through other third party debt financing to fund these distributions and other capital needs. In addition, our board of trustees may choose to pay a lower distribution in the event we are unable to obtain such financing. Any indebtedness we incur will increase our leverage and decrease our ability to borrow money for other needs, such as for the acquisition or development of additional student housing properties or investments relating to additional military housing privatization projects.

As of June 30, 2005, 39 of our student housing properties, our corporate headquarters, and other assets were encumbered by notes payable aggregating \$551.1 million and secured by first liens on the individual assets with an aggregate cost basis of approximately \$787.1 million before accumulated depreciation. Our notes payable have a weighted-average interest rate of 4.90% and mature at various dates between August 2005 and June 2015 and require monthly payments of principal and interest or monthly payments of interest only. The table below sets forth for the five succeeding years and

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thereafter the aggregate annual principal payments of our notes payable and credit facility (dollars in thousands):

|                     |            |
|---------------------|------------|
| 2005                | \$ 8,171   |
| 2006                | 5,188      |
| 2007                | 158,960    |
| 2008                | 4,708      |
| 2009                | 34,076     |
| 2010                | 65,954     |
| 2010 and thereafter | 345,043    |
|                     | <hr/>      |
|                     | \$ 622,100 |
|                     | <hr/>      |

With regard to our military housing privatization projects, we made a \$10.6 million equity contribution in November 2004 relating to our Navy Northeast project and have contractually committed to contribute an aggregate of \$2.0 million in 2006 to our Fort Hamilton project, \$5.9 million in 2007 to our Walter Reed Army Medical Center/Fort Detrick project, \$3.6 million in 2010 for our Fort Eustis/Fort Story project, \$8.0 million in 2011 for our Fort Stewart and Hunter Army Airfield project, and \$6.3 million in 2011 for our Fort Bliss/White Sands project. These equity contributions help to fund the development, construction and renovation of housing units at these bases during their respective initial development periods.

Typically, we are reimbursed for certain payroll expenses relating to the student housing properties we manage for third parties, for certain costs we incur after we are awarded the right to exclusively negotiate agreements for a military housing project until we enter into agreements for the project and for transition costs we incur shortly before initiation of our management of a military housing project. However, we are required to fund these costs prior to the time we receive the reimbursements. Typically, Army and Navy projects require approximately \$1.0 million to \$7.0 million in costs associated with transition and exclusive negotiations, depending on the size of the project. The expenditures typically begin 12 months prior to executing an agreement for the military housing project. Accordingly, these timing differences add to our short-term liquidity needs. See *"Risk Factors Specific Risks Related to our Military Housing Business."*

If cash flows from any of our military housing privatization projects are insufficient to meet the coverage ratios or benchmarks entitling us to receive fee payments, any unpaid fees will accumulate and be subsequently paid from operations or upon dissolution of the projects to the extent that funds are available and the applicable thresholds are met. If these thresholds are not met, we will not have access to certain of the fees we have earned. The unavailability of these funds would materially impact our ability to meet our short-term and long-term liquidity needs. We will be required to make equity contributions at the beginning of the initial development period for typical Navy transactions and at the end of the initial development period for typical Army transactions. If cash flow is insufficient, any unpaid equity returns will accumulate as specified in the applicable project agreement and subsequently be paid from operations or upon dissolution of the projects to the extent the funds are available. Based on our current expectations regarding the terms of the debt funding for our military projects, we expect that the projects will generate sufficient cash flows to fund the reinvestment account and pay anticipated equity returns.

With regard to our currently owned student housing properties, we do not have any short-term capital commitments; however, we will require funds in connection with our anticipated acquisitions of additional student housing properties. We intend to fund the equity portion of the purchase price for these additional student housing properties by using funds from our credit facility or from available cash from operations. In addition, we may leverage our existing student housing properties to have cash available to fund the purchase price of additional student housing properties. Our primary source of

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funding for student housing property acquisitions during the next 12 months will be our credit facility and the placement of mortgage debt on the assets acquired. As of September 19, 2005, assuming the application of the estimated net proceeds from this offering to repay outstanding indebtedness under the facility, availability under the credit facility would have been \$137.4 million. Depending upon the size of our student housing acquisition pipeline for the next 12 months, the timing of closings on our properties, and the amount of cash required to fund planned student housing acquisitions, we may exceed the maximum capacity available under our existing credit facility. In that event, we may pursue additional financing as opportunities arise. Future financings may include a range of different sizes or types of financing, including the sale of additional debt or equity securities. While we believe we will be able to obtain such funds, 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 agreement governing our revolving credit facility. These financings could increase our level of indebtedness or result in dilution to our equity holders.

Long-term liquidity requirements with respect to our student housing and military housing segments consist primarily of amounts necessary to fund scheduled debt maturities, renovations and other non-recurring capital expenditures that need to be made periodically at our properties, and the costs associated with acquisitions of student housing properties and awards or acquisitions of military housing privatization projects that we pursue. Historically, we have satisfied our long-term liquidity requirements through various sources of capital, including existing working capital, cash provided by operations, long-term mortgage indebtedness, and owner contributions. We now expect our long-term liquidity requirements to be satisfied primarily through cash generated by operations that is not used to fund distributions and the additional external financing sources discussed above.

### *Contractual Obligations*

The following table summarizes our contractual obligations, as well as obligations under certain contracts we consider probable of completion as of December 31, 2004 for each of the periods presented, thereafter and in the aggregate.

| Contractual Obligations <sup>(1)</sup>    | 2005             | 2006            | 2007              | 2008            | 2009             | Thereafter        | Total             |
|-------------------------------------------|------------------|-----------------|-------------------|-----------------|------------------|-------------------|-------------------|
| Notes payable <sup>(2)</sup>              | \$ 10,486        | \$ 5,269        | \$ 192,824        | \$ 4,744        | \$ 34,103        | \$ 122,581        | \$ 370,007        |
| Acquisitions of properties <sup>(3)</sup> | 82,700           |                 |                   |                 |                  |                   | 82,700            |
| Equity contribution <sup>(4)</sup>        |                  | 2,000           | 5,900             |                 |                  | 17,900            | 25,800            |
| Employment agreements                     | 975              | 975             | 975               |                 |                  |                   | 2,925             |
|                                           | <u>\$ 94,161</u> | <u>\$ 8,244</u> | <u>\$ 199,699</u> | <u>\$ 4,744</u> | <u>\$ 34,103</u> | <u>\$ 140,481</u> | <u>\$ 481,432</u> |

- (1) Excludes individual contractual obligations with a value of less than \$25,000, contractual obligations relating to our operations that may be terminated with notice of one month or less and contractual obligations for which we expect to be reimbursed.
- (2) Represents scheduled payments of principal. Includes indebtedness associated with notes payable relating to the corporate aircraft that we acquired in connection with our initial public offering. We sold our interests in the entity that owns the aircraft back to Gary M. Holloway, Sr. in February 2005, at which time there was approximately \$4.2 million of indebtedness remaining on the aircraft. In connection with this sale, Mr. Holloway assumed this indebtedness.
- (3) Represents the contractual obligations to purchase six student housing properties and an undeveloped parcel of land that we had under agreement of sale as of December 31, 2004.
- (4) Represents contractual commitments to fund equity contributions to military housing privatization projects, including those projects that are currently under exclusive negotiation.

### **Cash Distribution Policy**

Commencing with our taxable year ended December 31, 2004, we filed a tax return electing to be treated as a REIT under the Code, and we expect to continue to qualify as a REIT. As a REIT, we generally will not be subject to federal income tax to the extent that we distribute our REIT taxable income to our shareholders, but the taxable income generated by our taxable REIT subsidiaries will be subject to regular corporate income tax. We intend to make at least the minimum distributions required to maintain our REIT qualifications under the Code. Holders of units of our limited partnership will also be entitled to distributions of cash equivalent to dividends per share paid to our common shareholders. For additional information regarding our distribution policy to shareholders, see *"Price Range of Common Shares and Dividend Policy."*

### **Inflation**

As a majority of our student housing leases are 12 months or less, rates on in-place leases generally approximate market rental rates. We believe that inflationary increases in expenses will be significantly offset by rent increases upon renewal. A majority of our military housing management fees, construction/renovation fees and business development fees are based on a percentage of revenue or expenses generated by us or the military housing privatization projects. We believe that inflationary increases in expenses will be significantly offset by increases in revenue.

### **Qualitative and Quantitative Disclosures about Market Risk**

Given current market conditions, our strategy favors fixed-rate, secured debt over variable-rate debt to minimize our exposure to increases in interest rates. As of June 30, 2005, 76% of the outstanding principal amount of our notes payable secured by properties we owned had fixed interest rates with a weighted-average rate of 4.85%. The remaining 24% of outstanding principal amount of our notes payable and line of credit, as of June 30, 2005, had variable interest rates primarily equal to LIBOR plus 1.75% to 2.25%.

As of June 30, 2005, we had \$71.0 million in funds drawn from our credit facility, bearing a variable interest rate at a Eurodollar rate based on a 30-day LIBOR at 3.24% and an applicable rate of 2.00%, for a total interest rate of 5.23%.

As of June 30, 2005, based on our variable rate debt balances described above, if interest rates were to increase by 1.0%, our interest expense would increase by approximately \$0.8 million on an annual basis.

## OUR BUSINESS AND PROPERTIES

*GMH Communities Trust commenced operations on November 2, 2004, upon completion of its initial public offering and the simultaneous acquisition of the sole general partnership interest in GMH Communities, LP, referred to throughout this prospectus as our operating partnership. The historical operations prior to completion of our initial public offering that are described in this prospectus refer to the operations of College Park Management, Inc., GMH Military Housing, LLC, 353 Associates, L.P., and Corporate Flight Services, LLC, which are collectively referred to, together with our operating partnership, as The GMH Predecessor Entities or our predecessor entities.*

*In connection with our formation transactions completed prior to and simultaneously with completion of our initial public offering, the interests in The GMH Predecessor Entities were contributed to our operating partnership as described in Note 1 of the financial statements for the period ended June 30, 2005 included in this prospectus and the section below titled " Our Formation Transactions." We have described our operations in this prospectus as if the historical operations of our predecessor entities were conducted by us for the full fiscal year ended December 31, 2004.*

### Our Company

We are a self-advised, self-managed, specialty housing company that focuses on providing housing to college and university students residing off-campus and to members of the U.S. military and their families. Through our operating partnership, we own and operate our student housing properties and own minority interests in joint ventures that own our military housing privatization projects. Through taxable REIT subsidiaries, we provide development, construction, renovation and management services for our military housing privatization projects and property management services for student housing properties owned by others. In addition, through our operating partnership, we provide consulting services with respect to the management of certain student housing properties owned by others, including, colleges, universities, and other private owners. We are one of the leading providers of housing, lifestyle and community solutions for students and members of the U.S. military and their families.

As of September 19, 2005, we owned or had ownership interests in 51 student housing properties, containing a total of 9,473 units and 30,755 beds, and four undeveloped parcels of land. We also manage or provide consulting services for 18 student housing properties owned by others, containing a total of 4,225 units and 12,085 beds, and an estimated 224 units and 718 beds currently under construction, and we provide interim management services for an additional student housing property under construction. Additionally, our operating partnership has an ownership interest in, and through various wholly-owned subsidiaries operates, seven military housing privatization projects, and has an additional project under exclusive negotiation, comprising an aggregate of 16,744 housing units on 19 military bases.

GMH Communities Trust was formed in May 2004 to continue and expand upon the student and military housing businesses of our predecessor entities and other affiliated entities, collectively referred to as GMH Associates. GMH Associates was founded in 1985 principally to acquire, develop and manage commercial and residential real estate, focusing on student housing. Since 1999, GMH Associates also had competed for the award of contracts to develop, construct, renovate and manage housing units for members of the U.S. military and their families, referred to as military housing privatization projects.

We seek to capitalize on the highly fragmented student housing market at colleges and universities in the U.S. and the related need for quality and affordable off-campus, privately owned student housing. Focusing on this opportunity, we have, and prior to our formation, GMH Associates had, acquired or entered into joint ventures that acquired properties strategically located near college or university campuses. In addition, we have continued to expand upon the military housing business developed by GMH Associates and to seek the award of additional military housing privatization projects granted by the Department of Defense, or DoD, under the 1996 National Defense Authorization Act. Since 1996,

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the DoD has awarded to private owners long-term privatization projects or rights to exclusively negotiate projects for 63 domestic projects, and has identified another 49 domestic projects for which it will seek to award privatization projects. Our management team has won more than 40% of the privatization projects on which it has bid (including those projects for which exclusive negotiations have been awarded) and GMH Communities Trust is currently the leader in number of bases privatized to date.

We elected to be treated as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2004, and intend to continue to qualify as a REIT. We perform certain management and other services relating to student and military housing, which would not be permitted to be performed by a REIT, through taxable REIT subsidiaries, GMH Military Housing, LLC and College Park Management TRS, Inc. A "taxable REIT subsidiary" is a corporation in which a REIT directly or indirectly holds shares and which makes a joint election with the REIT to be treated as a taxable REIT subsidiary of the REIT. Taxable REIT subsidiaries are generally subject to federal income taxation in the same manner as regular corporations and not as REITs. The extent to which a REIT can conduct its operations through a taxable REIT subsidiary is limited by provisions of the Code, which require that (i) dividends from a taxable REIT subsidiary, together with other nonqualifying gross income of the REIT, constitute not more than 25% of the REIT's gross income in any taxable year and (ii) securities issued by taxable REIT subsidiaries represent not more than 20% of the value of the REIT's total assets as of the close of any quarter of a taxable year of the REIT.

### Our Recent Activities

Since the completion of our formation transactions in connection with our initial public offering that was completed on November 2, 2004, we have had substantial growth activities in both our student and military housing segments.

#### *Student Housing*

Since the transactions contemplated by our initial public offering, we have acquired 30 properties totaling 17,658 beds, and three undeveloped parcels of land, for an aggregate purchase price of \$674.6 million. These properties were primarily financed through the placement and assumption of an aggregate of \$330.0 million in mortgage debt on these properties. As of September 19, 2005, including the acquisitions that we completed in connection with our formation transactions and initial public offering, we have acquired 51 student housing properties totaling 30,755 beds, and four undeveloped parcels of land for development as student housing properties, for an aggregate purchase price of \$1,059.3 million, including an aggregate of \$306.4 million in new mortgage debt on these properties and the assumption of \$319.0 million in existing mortgage debt on these properties. In addition, we refinanced variable-rate mortgage debt secured by seven of our student housing properties, resulting in the repayment of approximately \$20.4 million of the total \$113.7 million of mortgage debt on these properties, and replaced the remaining \$93.3 million of variable-rate mortgage debt with an equal amount of fixed-rate mortgage debt with interest rates ranging from 4.24% to 4.7% and maturity terms ranging from five to seven years.

We also have entered into a joint venture with an institutional partner to develop and construct two student housing properties, one of which is located in Orono, Maine and the other in Bowling Green, Ohio, with estimated aggregate costs for acquiring the properties and development and construction of approximately \$43.5 million. Under the terms of this venture, our joint venture partner will fund 90% of the \$11.5 million in equity expected to be required for the properties, which includes acquisition costs for the properties and a portion of the development and construction costs. We will fund the remaining 10% of this \$11.5 million required equity, or approximately \$1.2 million. The joint venture is in the process of obtaining a construction loan for each property that we expect to permit draws for up to an aggregate of \$32.0 million, or approximately 75% of the total costs for the two student housing properties to be developed. We will manage the properties, including the development, construction and pre-leasing of the properties. We have the option to purchase our joint venture partner's interest in the joint venture within one year after completion of the student housing properties, which is expected to be prior to the 2006/2007 academic year.

### ***Military Housing***

Since our initial public offering, we were awarded and have entered into final agreements with respect to three military housing privatization projects in operation, in addition to the four military housing privatization projects in which we acquired interests in connection with our formation transactions. Shortly after completion of our initial public offering, we partnered with the Department of the Navy to design, build, manage and maintain the military family housing at eight Northeast Region naval installations, referred to as our Navy Northeast project. In addition, during the first quarter of 2005, we obtained permanent financing on our Fort Eustis/Fort Story project, which covers two bases located in Virginia involving the new construction and/or major renovation of more than 1,100 end-state housing units. End-state housing units are the housing units, including units subject to new construction and existing units, whether or not subject to renovation, that are approved for completion and management by the end of the initial development period for the project. Finally, in July 2005, we partnered with the Department of the Army to design, build, manage and maintain military housing at Fort Bliss near El Paso, Texas and the White Sands Missile Range near Las Cruces, New Mexico. The finalized plans for this project include a six-year initial development period with new construction and/or major renovation of more than 3,000 end-state housing units.

In May 2005, we were selected by the U.S. Department of the Army to be its private sector partner for the design, development, construction, renovation and management of family military housing at Fort Gordon, located near Augusta, Georgia. This 50-year project is expected to have a six-year initial development period with new construction and/or major renovations on an estimated 887 end-state housing units. We are in exclusive negotiations for this project, and expect to execute definitive agreements relating to the final terms of the project in the second quarter of 2006 upon approval from Congress and the Department of the Army. In addition, we are currently in the solicitation process with the Air Force for a military housing privatization project that is expected to cover four bases and in excess of 2,000 end-state housing units.

### **Pending Acquisitions**

As of September 19, 2005, through our operating partnership, we had binding agreements to acquire two student housing properties in exchange for the payment of an aggregate cash purchase price of approximately \$73.8 million, including the expected placement of \$9.6 million in mortgage debt on these properties and the assumption of approximately \$35.8 million of existing mortgage debt on these properties. In addition, as of September 19, 2005, we had non-binding letters of intent to acquire four student housing properties and two undeveloped parcels of land for an expected aggregate cash purchase price of \$139.4 million, including the expected placement of \$84.9 million in new mortgage debt on these assets.

We refer to these transactions throughout this prospectus as our pending acquisitions. Completion of our pending acquisitions is subject to customary conditions, including satisfactory completion by us of our due diligence investigation, acceptable environmental status and receipt of clear title to the properties subject to these agreements. We expect to acquire these assets, in some cases, subject to existing debt. We cannot assure you that we will be able to complete any of our pending acquisitions or that the terms we have negotiated will not change.

### **Management Team**

We are led by a senior management team with experience in both the student housing and military housing industries and are supported by a highly experienced board of trustees. Mr. Holloway, together with Joseph M. Coyle, president of our student housing division, and Bruce F. Robinson, president of our military housing division, have an average of over 25 years of individual experience in various aspects of the real estate business. Our senior management team, through our predecessor entities, has

been involved in the student housing industry since 1985 and has been acquiring, renovating, developing and managing student housing since December 1995. While at GMH Associates, our senior management team was actively involved in more than 55 projects and investments with an aggregate value of more than \$5.0 billion, including both principal-related investments and fee-based activities. The principal-related investments have included student housing, military housing and commercial real estate properties.

Our senior management team understands that the student housing and military housing businesses each requires a unique set of management skills, and believes that it has the experience and knowledge base to effectively lead in both segments. To profitably own and manage student housing properties, our management recognizes the importance of, and believes that it has the skills to, identify select properties and markets, deliver a high quality product to the student residents and manage a process of superior execution on operations. To achieve success in the military housing business, our management continues to build and maintain strong relationships with federal, state and local governments and companies with which we have strategic relationships, and to assemble and motivate dedicated project teams to win project awards. After a project has been awarded, this management team understands the importance of leading through and after the initial development phase, continually focusing on timely project execution and cost-effectiveness, and producing a high quality product.

## **Student Housing Business**

### ***Overview***

Through its development, redevelopment and strategic acquisitions of student housing properties, directly and indirectly through joint ventures, our management team has led GMH Communities Trust, based upon our internal competitive analysis estimates, to become one of the largest private operators of off-campus housing for college and university students in the U.S.

We seek to acquire and manage high quality student housing strategically located near college or university campuses and other points of interest, such as restaurants or other nightlife destinations that cater to students. The properties we seek to acquire and manage include town homes, high-rise, mid-rise and garden-style apartment complexes. The amenities we offer residents vary by property, but include many of those commonly sought by students, such as private bedrooms and bathrooms, high quality student furnishings, cable television, wired and wireless high speed Internet access, a washer and dryer in each unit, fitness centers, swimming pools, computer centers, study rooms and game rooms. Additionally, we strive to create attractive environments for our residents by providing, among other things, lighted parking lots, student housing employees living on-site as well as 24-hour maintenance and emergency services. Although we target student residents, a small percentage of our residents are non-students.

We believe there are substantial opportunities to acquire and manage off-campus student housing. According to the Rosen Consulting Group, LLC, a California-based real estate and regional economics research and consulting firm that provides expert viewpoints and forecasts on the economy, the capital markets and the real estate markets for banks, insurance companies and real estate investors, the off-campus student housing market contains approximately 5.3 million beds of an estimated 7.5 million total student housing beds. Based on our experience acquiring and operating student housing properties, we estimate that the aggregate value of all student housing properties is approximately \$159 billion, based on an assumed average asset value of \$30,000 per bed. We also estimate annual aggregate student housing rental revenues of approximately \$23 billion, assuming an average monthly rental rate of \$360 per bed. We base these asset value and rental rate assumptions on our own experience acquiring and operating student housing properties. Currently, the student housing market is highly fragmented and primarily served by local property owners. In addition, a significant number of

existing student housing properties are obsolete, creating demand by students for high quality housing and premium services. Further, the U.S. Department of Education's National Center for Educational Statistics, or NCES, has projected that enrollment at four-year institutions of higher education in the U.S. will increase from the 15.3 million students that were enrolled in 2000 to 17.5 million students in 2010. This growth in students is projected to impact particular geographic regions of the country disproportionately, highlighting the importance of our acquisition of targeted investment properties in select markets. We further believe that due to budgetary constraints, colleges and universities have not sufficiently expanded, renovated or modernized existing on-campus student housing to meet this increasing demand for student housing. According to the Center for the Study of Education Policy, colleges and universities may be faced with tighter budgets and increasing competition for students, and have less funding available to develop and manage student housing properties themselves.

According to the Rosen Consulting Group, the combination of higher enrollments of full-time students attending four-year programs and the lack of attractive on-campus housing properties available for students will cause a significant increase in demand for high quality off-campus student housing in those regions experiencing high levels of student growth. The NCES data also indicates an increase in the number of students desiring to live off-campus. Currently, 5.3 million of the estimated 7.5 million beds in the student housing market are located in off-campus student housing, compared to 2.2 million beds located on-campus. According to the publication *College Planning and Management*, in 2003, of 118 colleges and universities surveyed, on-campus student housing capacity was, on average, 23.7% of the total student population. We believe that this demand for high quality, off-campus student housing will afford private owners opportunities to capitalize on the off-campus student housing market.

Furthermore, according to information provided by the Association of College and University Housing Officers International, or ACUHO, many college and university students favor a distinctive student housing product, unlike that which is typically offered by colleges and universities today, that provides functional housing units with amenities and services designed specifically to meet their particular lifestyles and needs. We also believe that, because of the structural and functional obsolescence of many existing on-campus and off-campus student housing properties, future opportunities may exist to establish joint ventures with colleges and universities to manage, lease, renovate or develop on- and off-campus student housing, although we have not yet entered into any such arrangements. Opportunities may exist for us to participate in these arrangements through the ownership or leasing of properties or otherwise.

Based upon NCES data and our internal analysis of the current student housing marketplace, we believe that the student housing industry has been under managed to date, and that the key factors to the successful execution of our business plan include, among other things, the provision of high quality student housing with a high degree of customer interaction, the implementation of well-managed marketing, leasing, maintenance, retention and collection programs for our properties and the ability to incentivize our management by empowering them to achieve specific objectives.

We will only consider opportunities for those types of arrangements in the student housing business that are consistent with our ability to maintain our status as a REIT for federal income tax purposes. In order to qualify as a REIT, a specified percentage of our gross income must be derived from certain sources, including rents from real property (and generally excluding income from the operation of non-rental related assets).

### **Strategy**

From a growth perspective, our strategy in the student housing business is to acquire, own and effectively manage a diverse portfolio of attractive and high quality off-campus student housing properties located near college and university campuses throughout the U.S. We focus on owning and operating town homes, high-rise, mid-rise and garden-style apartment complexes. Our operational

strategy is to manage our student housing properties, as well as those we manage for colleges, universities and private owners, with a focus on catering to the college and university student, whose needs and lifestyle differ greatly from the needs and lifestyle of a typical apartment resident. We implement these strategies as follows:

*Target select properties/markets.* We seek to acquire and manage high quality student housing strategically located near college or university campuses and other points of interest, such as restaurants or other nightlife destinations that cater to students. We specifically target those acquisition sites that are located near colleges or universities with a student enrollment of at least 5,000, where the college or university is the primary driver of the local economy and where there is a shortage of existing modern student housing. We typically target sites within approximately two miles of the college or university campus. Our management team has found that most students prefer to live within a narrowly-defined geographic radius around a particular college or university campus because it provides students with the feeling of being a part of the campus community and also shortens students' commutes to and from classes. We also believe that we have identified a trend that students, particularly upperclassmen, want to live near entertainment venues near campus, such as restaurants or nightlife destinations. In order to capitalize on this growing trend in the market, we intend not only to seek to acquire and manage premium student housing properties strategically located near college or university campuses, but also those properties close to other points of interest close to campus.

We believe that many of the local satellite campuses of large, state-funded colleges and universities have significant growth potential as the main campuses of these institutions, according to NCES data, have begun to cap the number of students accepted. These caps on student enrollment at large, state-funded institutions have also had a positive effect on campus enrollment at competing colleges and universities located near these institutions. For example, the main campus of the University of Georgia in Athens, Georgia, has experienced and is projected to continue to experience minimal enrollment growth because its current enrollment is at or near its capacity. This has produced opportunities at traditionally smaller campuses such as Georgia Southern University, in Statesboro, Georgia, where enrollment has grown on average at an annual rate of 3% to 4% from 2001 to 2004 to its enrollment as of Fall 2004 of 16,100 students. We believe that our size and financial strength gives us a competitive advantage over smaller, less established competitors in our target areas.

Given our management team's experience in and knowledge of the student housing market, we believe that we have developed a solid foundation upon which to identify, evaluate and acquire high quality properties in the future. Our management team's identification efforts of prospective properties is enhanced by its affiliations with and active membership in leading university-related organizations such as the National Association of College and University Business Officers, ACUHO and the National Association of College Personnel Administration. We believe we have the opportunity to acquire additional student housing properties, typically with a combination of cash, common shares and/or units of limited partnership interest in our operating partnership, thereby creating the opportunity for tax-deferred transactions for a seller.

*Deliver full range of high quality product.* We seek to acquire and manage modern, state-of-the-art town homes, high-rise, mid-rise and garden-style apartments that are tailored to the "student lifestyle." The typical design layout of a housing unit consists of one to four bedrooms, with a complementary number of bathrooms, centered around a common area consisting of a living room, a dining area and a kitchen. In addition to functionality and appearance, we have found that students want to be offered a variety of amenities, similar to those found at typical luxury apartment communities. Amenities such as private bedrooms and high quality furnishings, cable television, wired and wireless high-speed Internet access, a washer and dryer in each unit, fitness centers, swimming pools, computer centers, study rooms and game rooms are found in some combination at all of our properties. We also provide our residents with lighted parking lots, employ student housing personnel that live on-site and 24-hour maintenance and emergency services.

Our message to prospective student residents is that our properties provide a home-like environment with state-of-the-art technological capabilities and amenities and services designed to maximize their college or university experience. In our marketing efforts, we convey the message that living at one of our properties, unlike a typical apartment property, is like becoming a part of a small community within the larger college or university. To this end, we offer regular "events" at our properties, such as athletic competitions, including volleyball and basketball tournaments, "battle of the bands" nights and non-alcoholic social events. We also offer prospective residents a roommate matching program, where students wishing to find roommates provide us with their background information, including their likes and dislikes, so that our property staff may attempt to match these individuals with compatible roommates.

Each of our properties is managed, leased and maintained by an experienced staff of on-site employees. These employees are available to our student residents around the clock to provide routine maintenance service or to assist in emergencies. We also employ three regional managers who are responsible for coordinating the operations of our properties within each of their respective regions. Our management team works closely with the neighboring college and university housing and development staffs near our properties to ensure that the needs of students, parents and the institutions are being met throughout the year. For example, our management team coordinates with colleges and universities to provide students with access, where available, to the college or university computer network from each property's computer room or from student apartment units, and to become an approved provider of student housing for the local college or university.

We have developed specific management systems that are designed to optimize student housing operations and to maintain the value of our properties. These systems include the implementation of standard lease terms that generally require parental guarantees, making frequent and regular apartment inspections conducted during the course of the lease term, and maintaining and distributing a "price list" to our residents for any property damages incurred during the lease term and thereby incentivizing students to maintain their units. For the 2005/2006 academic year, we received parental guarantees on more than 90% of the student leases in our portfolio. Two exceptions for which we generally do not seek parental guarantees include leases with international students due to the high burden of obtaining or collecting on guarantees from parents of students who are not located in the U.S. and leases with residents who provide evidence of satisfactory personal income.

*Superior execution of operations.* We utilize dynamic, professional marketing services primarily to create web- and Internet-based applications to market and make information about us and our properties easily accessible to students, and initiate word of mouth campaigns to attract student residents. Recognizing the importance of the Internet, we have an individualized web site dedicated for each of our student housing properties containing information about each property, amenities and services available at each property and pricing and leasing information. To a lesser degree, we also advertise through more traditional media, such as radio, print and television, particularly focusing on media such as student-run newspapers that target the student market. We also maintain informal "high school feeder programs," through which our local leasing and marketing representatives visit the high schools that send a majority of students to the colleges and universities in our target markets and meet with students and their guidance counselors to inform them of the housing options that we offer.

The support of colleges and universities is beneficial to the continued success of our off-campus properties and, to this end, we actively seek to have these institutions recommend our properties to their students. Specifically, we attempt to enter into informal arrangements with colleges and universities to have them include information about certain off-campus properties that we manage on their home pages and to have them provide direct hyperlinks to these properties' web sites, in addition to distributing brochures relating to these properties. We currently have arrangements with several educational institutions that provide their students with informational materials directing them to our properties. In cases where colleges and universities do not offer active recommendations for our

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off-campus housing, most nonetheless provide lists of suitable off-campus properties to their students. We continually work to ensure that our properties are on these lists in each of the markets that we serve.

We simplify the bill-paying process by including all costs associated with living at our properties, including water, electricity, gas, cable services and Internet services, in one monthly rental check to be paid to us by students or their parents. Most of the properties that we operate implement this billing feature. We limit our exposure to excessive utility bills from residents by setting a reasonable limit on how much we will pay per resident per month for a particular utility, such as water or electricity. If a resident's monthly bill for a utility exceeds the set limit, the excess cost is charged to the resident on the subsequent month's bill.

In addition to our streamlined bill-payment system, we believe that our method of leasing is attractive to student residents and their parents. Under a traditional apartment lease, housing units are leased by the unit, and, therefore, all residents living in a particular unit are responsible for any liabilities of their roommates. We circumvent this situation by typically leasing our housing units by the bed, not the unit. As a result, students in our properties are contractually responsible for making only payments associated with their individual or pro-rata use of the properties.

We seek to maximize income by operating at a high level of efficiency through intensive management and prudent capital expenditures. In addition, property acquisitions in our target markets should permit us to increase student awareness of our properties through our cross-marketing programs, gain economies of scale by enabling us to consolidate management and leasing services and reduce costs of capital goods, supplies, furniture and other goods and services bought in bulk.

### ***Student Leases***

Our property leases typically contain the following terms:

a 12-month lease term (rent payable in equal monthly installments);

rent payments monthly, and typically includes charges for all amenities provided at the property, such as basic cable, a fitness center, a swimming pool and usually parking;

require a guarantee by parents or legal guardians, relating to, among other things, the amounts payable under the lease, unless a student resident can provide evidence of satisfactory personal income under fair housing laws, or international residence status;

require that student residents pay a security deposit and/or a move-in fee. The deposit is applied against any damages to the unit caused by the student (including furnishings and household items in the unit). Students and their lease guarantors also are required to assume personal responsibility for any damages caused to a unit's or property's common areas;

restrictions on the subletting of units without our prior written consent; and

lease default provisions in the event of failure to pay rent when due, breach of any covenant contained in the lease or abandonment of the unit.

### ***Lease Administration and Marketing Systems***

We believe we are an industry leader in identifying and implementing e-business solutions to improve the on-site decision-making processes of local management at each of the college and university communities where we either own or manage properties. We continue to focus on student housing information technology innovations, including customizing web-based applications designed to reduce operating costs, reacting quickly to frequent leasing and market changes and improving real-time operating information and services to student residents.

We implement state-of-the-art, real time systems that provide for on-line resident applications, on-line work orders and facilities management and occupancy reporting. We also have an on-line payment system which is currently being used to facilitate all credit card payments at most of our student housing properties, and expect to have this system implemented at all of our student housing properties by the end of 2005. These exclusive systems have dramatically improved the efficiency of our operations and have improved services to an increasingly tech-savvy student market.

Additionally, we have created a web-based infrastructure designed to standardize systems and procedures to improve data tracking at all levels within our student housing business. These systems provide us with real-time access to customized data management tools that track leasing, occupancy, cash flows, expenditures and purchases through national accounts, and with other e-business solutions designed to improve the speed and accuracy of our property management services.

### ***Market Opportunity***

#### ***The Student Housing Market***

Demographic patterns and trends in education over the past several years suggest that there is an increasing number of college-aged individuals and an increasing number of students enrolling in colleges and universities in the U.S. According to a report dated October 2003 by the NCES, enrollment at four-year institutions of higher education in the U.S. is expected to increase from the 15.3 million students that were enrolled in 2000 to 17.5 million in 2010 as shown in the following chart.

#### **College and University Enrollment 2000 - 2010 (in thousands)**

The major catalyst for projected enrollment increases, and subsequent student housing demand in the near future, will be the growth in the college-aged population represented by the "Echo Boom" generation, which is made up of the sons and daughters of the "Baby Boomer" generation, and is equal in size to the Baby Boomer generation. While the Baby Boomers are nearing retirement, much of the Echo Boom generation, which was born between 1977 and 1997, is entering, or has yet to enter, adulthood. According to the U.S. Census Bureau, in 2003, 4.0 million Americans turned 18; by 2010, that number will peak at 4.4 million and remain above 4.0 million annually for some time.

The bulk of the undergraduate population on university campuses today is classified by the NCES as "traditional" (18 to 24 year-old) students. The following table indicates the college-age population of traditional students based on U.S. Census Bureau projections published in April 2005 for the periods indicated.

**18 to 24 Year-Old Population 2000 - 2010**  
(in thousands)

The impact of demographic changes on college enrollment levels will not be felt equally across all states. During the past decade, the fastest growth of post-secondary enrollment has been concentrated primarily in the Rocky Mountain States and the Sunbelt, which consists of the Southeast and Southwest portions of the U.S. As shown on the map below, the Sunbelt, Pacific and Northeast regions of the U.S. are projected to be the fastest growing regions in college enrollment between 2000 and 2010, fueled by above average growth projections, in the young adult population in these regions.

**College Enrollment Growth 2000 - 2010**

(as compounded annual percentage)

Source: Rosen Consulting Group, LLC, July 2004

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The map below shows the anticipated absolute change in enrollment at four-year institutions of higher education in the U.S. between 2000 and 2010.

### Absolute Change in College and University Enrollment 2000 - 2010

Source: Rosen Consulting Group, LLC, July 2004

The following tables, based on information published by Rosen Consulting Group as of July 2004, and the U.S. Census Bureau, respectively, provide information with respect to the states projected to experience the most significant changes in higher education enrollment growth and population growth between 2000 and 2010.

### Enrollment Growth Projections

| Rank | State                | Absolute Change<br>2000 - 2010 | Percentage<br>Change |
|------|----------------------|--------------------------------|----------------------|
| 1    | California           | 783,020                        | 34.0%                |
| 2    | New York             | 174,633                        | 16.6                 |
| 3    | Texas                | 161,494                        | 15.3                 |
| 4    | Florida              | 131,348                        | 18.2                 |
| 5    | Massachusetts        | 93,166                         | 21.6                 |
| 6    | North Carolina       | 62,817                         | 15.3                 |
| 7    | Virginia             | 61,833                         | 16.0                 |
| 8    | Arizona              | 57,206                         | 16.2                 |
| 9    | Illinois             | 50,144                         | 6.7                  |
| 10   | Georgia              | 48,951                         | 13.9                 |
| 11   | Maryland             | 47,497                         | 17.1                 |
| 12   | New Jersey           | 46,459                         | 13.8                 |
| 13   | Pennsylvania         | 39,318                         | 6.4                  |
| 14   | Washington           | 34,192                         | 10.5                 |
| 15   | Connecticut          | 27,816                         | 17.1                 |
| 16   | District of Columbia | 27,301                         | 35.9                 |

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| Rank | State                   | Absolute Change<br>2000 - 2010 | Percentage<br>Change |
|------|-------------------------|--------------------------------|----------------------|
| 17   | South Carolina          | 22,713                         | 12.2                 |
| 18   | Colorado                | 22,707                         | 8.4                  |
| 19   | Tennessee               | 21,319                         | 8.0                  |
| 20   | Michigan                | 17,749                         | 3.1                  |
|      | <b>National Average</b> | <b>40,334</b>                  | <b>13.3%</b>         |
| 108  |                         |                                |                      |

## Population Growth Projections

## 18 to 24 Year-Old Population

| Rank | State                   | Absolute Change<br>2000 - 2010 | Percentage<br>Change |
|------|-------------------------|--------------------------------|----------------------|
| 1    | California              | 771,813                        | 22.9%                |
| 2    | Florida                 | 348,857                        | 26.2                 |
| 3    | Texas                   | 305,579                        | 13.9                 |
| 4    | New York                | 209,159                        | 11.8                 |
| 5    | North Carolina          | 155,504                        | 19.3                 |
| 6    | Virginia                | 155,398                        | 22.9                 |
| 7    | Maryland                | 154,169                        | 34.2                 |
| 8    | Arizona                 | 142,614                        | 27.7                 |
| 9    | Georgia                 | 138,143                        | 16.5                 |
| 10   | Washington              | 108,995                        | 19.5                 |
| 11   | New Jersey              | 102,069                        | 15.1                 |
| 12   | Pennsylvania            | 96,970                         | 8.9                  |
| 13   | Massachusetts           | 90,856                         | 15.7                 |
| 14   | Michigan                | 81,133                         | 8.7                  |
| 15   | Minnesota               | 65,027                         | 13.8                 |
| 16   | Nevada                  | 62,287                         | 34.7                 |
| 17   | Illinois                | 58,874                         | 4.9                  |
| 18   | Colorado                | 56,880                         | 13.2                 |
| 19   | Connecticut             | 56,511                         | 20.8                 |
| 20   | Tennessee               | 48,661                         | 8.9                  |
|      | <b>National Average</b> | <b>65,435</b>                  | <b>12.3%</b>         |

Among individual states, California, Florida, Texas and New York are projected to have the four largest populations of 18 to 24 year-olds during the next decade, according to the U.S. Census Bureau's April 2005 projections. We expect these states will continue to serve as major immigration gateways, which also should bolster future demographic and accompanying college enrollment growth well into the future. These four states are forecasted to experience the greatest absolute increase in college enrollment. Rounding out the top ten states with the highest absolute population growth projections for 18 to 24 year-olds are North Carolina, Virginia, Maryland, Arizona, Georgia and Washington. As of September 19, 2005, 22 of our student housing properties were located in these top "10" states.

The states in which we own properties are projected to experience an average growth of 12.3% in the 18 to 24 year-old population, which is an average of 93,428 persons between 2000 and 2010.

We believe that these projected increases in the 18 to 24 year-old population and in college student enrollment will place a greater demand on off-campus student housing. While both on- and off-campus student housing markets will compete for these additional students, we believe that existing on-campus properties will be at a disadvantage because, according to NCES data, those properties tend to be older units that have not been sufficiently expanded, renovated or modernized to meet students' increasing needs and expectations.

*Highly Fragmented Ownership of Student Housing Properties*

The student housing market is highly fragmented, and consolidation in the industry has been limited. Based upon our internal competitive analysis estimates, we believe that there are fewer than 12 firms that own a multi-regional network of off-campus student housing properties and have the ability to offer an integrated range of specialized student housing services, including design, construction and financing.

Our management experience suggests that none of the specialized student housing firms dominates a particular region. Instead, they each seek to maintain a presence in multiple markets with large student populations. Therefore, most are active in the same markets, particularly Texas, California, Florida, Georgia, North Carolina and Pennsylvania, due primarily to the presence of large state university systems that allow developers and operators to take advantage of economies of scale. In

contrast, the Northeast, Southwest and Pacific Northwest are three regions in which small, local owner-operators have significant market share.

*Status of the On-Campus Student Housing Market*

As student enrollment increases, we believe that one of the biggest challenges facing many colleges and universities is an antiquated student housing infrastructure. According to Rosen Consulting Group, LLC, at 20 of the largest universities in the U.S. the average age of student housing dormitories found on campus is over 36 years old. In addition to the need for additional housing to accommodate an expanding student population, universities must also deal with the problems of maintaining, refurbishing and marketing their aging existing inventory. Many schools have undertaken large-scale renovations and others are under pressure to follow suit to stay competitive. In addition to significant cosmetic upgrades, outdated heating and plumbing systems and roofs and windows are being replaced in many on-campus housing facilities. In some cases, institutions are finding that the costs of renovations are often prohibitive and are opting to take existing facilities out of service, thereby creating a greater demand for off-campus student housing.

In addition, various amenities that used to be considered rare luxuries in the student housing industry, such as kitchens, private bedrooms and bathrooms, Internet connectivity and cable television systems, and a washer and dryer in each unit, are now more common and increasingly becoming a factor in a student's housing and university selection. According to Rosen Consulting Group, LLC, in 20 of the largest universities in the country, private bedrooms accounted for only 23% of total on-campus capacity; only 33% of students living in on-campus facilities had a bathroom shared with less than four people; and only 17% had a kitchen in their housing units. Student housing that includes these amenities is more expensive to build. According to a survey by the magazine *American School and University*, the cost per square foot to construct a new residence hall has nearly doubled over the past 10 years, from \$82 in 1993 to \$150 in 2002.

The following table indicates the total enrollment, the on-campus housing capacity and the housing ratio, which is the total on-campus beds owned by colleges and universities divided by the total enrollment, at colleges and universities where the properties that we own or have agreements or a letter of intent to acquire are located.

**University On-Campus Capacity**

| Property Name                          | Location         | Primary University Served                | Fall 2004 Enrollment <sup>(1)</sup> | University Owned Beds <sup>(1)</sup> | Housing Ratio |
|----------------------------------------|------------------|------------------------------------------|-------------------------------------|--------------------------------------|---------------|
| <b>Owned Properties:</b>               |                  |                                          |                                     |                                      |               |
| Blanton Common                         | Valdosta, GA     | Valdosta State University                | 10,400                              | 2,498                                | 24.0%         |
| Campus Club Gainesville                | Gainesville, FL  | University of Florida                    | 47,993                              | 9,055                                | 18.9          |
| Campus Club Statesboro                 | Statesboro, GA   | Georgia Southern University              | 16,100                              | 4,065                                | 25.2          |
| Campus Connection <sup>(2)</sup>       | Urbana, IL       | University of Illinois Urbana/Champaign  | 40,359                              | 10,040                               | 24.9          |
| Campus Ridge Apartments <sup>(3)</sup> | Johnson City, TN | East Tennessee State University          | 11,635                              | 2,587                                | 22.2          |
| Campus Walk                            | Oxford, MS       | University of Mississippi                | 13,508                              | 3,389                                | 25.1          |
| Campus Walk                            | Wilmington, NC   | University of North Carolina Wilmington  | 11,327                              | 2,381                                | 21.0          |
| Chapel Ridge                           | Chapel Hill, NC  | University of North Carolina Chapel Hill | 26,878                              | 8,431                                | 31.4          |
| Chapel View                            | Chapel Hill, NC  | University of North Carolina Chapel Hill | (4)                                 | (4)                                  | (4)           |
| Collegiate Hall                        | Birmingham, AL   | University of Alabama Birmingham         | 17,740                              | 1,695                                | 9.6           |
| Fields                                 | Champaign, IL    | University of Illinois Urbana/Champaign  | (5)                                 | (5)                                  | (5)           |

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|                                  |                     |                                                                                 |        |        |       |
|----------------------------------|---------------------|---------------------------------------------------------------------------------|--------|--------|-------|
| Grand Marc at Seven Corners      | Minneapolis, MN     | University of Minnesota                                                         | 50,954 | 7,529  | 14.8% |
| Grand Marc at University Village | Riverside, CA       | University of California Riverside                                              | 17,104 | 6,041  | 35.3  |
| Nittany Crossings                | State College, PA   | Pennsylvania State University                                                   | 41,289 | 14,278 | 34.6  |
| Pirate's Cove                    | Greenville, NC      | East Carolina University                                                        | 19,570 | 5,314  | 27.2  |
| Seminole Suites                  | Tallahassee, FL     | Florida State University; Tallahassee Community College; Florida A&M University | 35,566 | 5,286  | 14.9  |
| South View Apartments            | Harrisonburg, VA    | James Madison University                                                        | 15,809 | 5,525  | 34.9  |
| State College Park               | State College, PA   | Pennsylvania State University                                                   | (6)    | (6)    | (6)   |
| Stone Gate Apartments            | Harrisonburg, VA    | James Madison University                                                        | (7)    | (7)    | (7)   |
| The Centre                       | Kalamazoo, MI       | Western Michigan University                                                     | 27,829 | 6,200  | 22.3  |
| The Commons                      | Harrisonburg, VA    | James Madison University                                                        | (8)    | (8)    | (8)   |
| The Crescent                     | Baton Rouge, LA     | Louisiana State University                                                      | 31,561 | 6,843  | 21.7  |
| The Edge I                       | Charlotte, NC       | University of North Carolina Charlotte                                          | 19,846 | 4,470  | 22.5  |
| The Edge II                      | Charlotte, NC       | University of North Carolina Charlotte                                          | (8)    | (8)    | (8)   |
| The Enclave                      | Bowling Green, OH   | Bowling Green State University                                                  | 18,989 | 7,129  | 37.5  |
| The Highlands                    | Reno, NV            | University of Nevada Reno                                                       | 15,950 | 2,631  | 16.5  |
| The Ridge                        | Morgantown, WV      | West Virginia University                                                        | 25,255 | 5,074  | 20.1  |
| The Summit                       | Mankato, MN         | Minnesota State University Mankato                                              | 13,687 | 3,100  | 22.6  |
| The Towers at 3rd                | Champaign, IL       | University of Illinois Urbana/Champaign                                         | (5)    | (5)    | (5)   |
| The Verge                        | Sacramento, CA      | California State University Sacramento                                          | 27,972 | 1,080  | 3.9   |
| The View                         | Lincoln, NE         | University of Nebraska                                                          | 21,792 | 6,115  | 28.1  |
| University Court                 | East Lansing, MI    | Michigan State University                                                       | 44,836 | 19,506 | 43.5  |
| University Crossings             | Manhattan, KS       | Kansas State University                                                         | 23,151 | 4,254  | 18.4  |
| University Edge                  | Hattiesburg, MS     | University of Southern Mississippi                                              | 14,553 | 3,500  | 24.1  |
| University Estates               | Muncie, IN          | Ball State University                                                           | 18,043 | 6,800  | 37.7  |
| University Gables                | Murfreesboro, TN    | Middle Tennessee State University                                               | 22,322 | 3,335  | 14.9  |
| University Glades                | Gainesville, FL     | University of Florida                                                           | (9)    | (9)    | (9)   |
| University Greens                | Norman, OK          | University of Oklahoma <sup>(11)</sup>                                          | 24,569 | 6,550  | 26.7  |
| University Heights               | Knoxville, TN       | University of Tennessee                                                         | 27,705 | 9,046  | 32.7  |
| University Lodge                 | Laramie, WY         | University of Wyoming                                                           | 12,238 | 2,029  | 16.6  |
| University Manor                 | Greenville, NC      | East Carolina University                                                        | (10)   | (10)   | (10)  |
| University Mills                 | Cedar Falls, IA     | University of Northern Iowa                                                     | 12,824 | 4,184  | 32.6  |
| University Oaks                  | Columbia, SC        | University of South Carolina                                                    | 25,596 | 6,969  | 27.2  |
| University Pines                 | Statesboro, GA      | Georgia Southern University                                                     | (11)   | (11)   | (11)  |
| University Place                 | Charlottesville, VA | University of Virginia                                                          | 23,341 | 6,779  | 29.0  |
| University Pointe                | Lubbock, TX         | Texas Tech University                                                           | 28,325 | 6,613  | 23.3  |

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|                        |               |                                        |        |       |      |
|------------------------|---------------|----------------------------------------|--------|-------|------|
| University Trails      | Lubbock, TX   | Texas Tech University                  | (12)   | (12)  | (12) |
| University Walk        | Charlotte, NC | University of North Carolina Charlotte | 19,846 | 4,470 | 22.5 |
| Uptown                 | Denton, TX    | University of North Texas              | 31,155 | 5,612 | 18.0 |
| Willow Tree Apartments | Ann Arbor, MI | University of Michigan                 | 39,533 | 8,436 | 21.3 |

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|                    |               |                        |      |      |      |
|--------------------|---------------|------------------------|------|------|------|
| Willow Tree Towers | Ann Arbor, MI | University of Michigan | (13) | (13) | (13) |
|--------------------|---------------|------------------------|------|------|------|

## Properties Under

### Agreement:

|                      |                  |                                               |        |       |       |
|----------------------|------------------|-----------------------------------------------|--------|-------|-------|
| University Crossings | Philadelphia, PA | Drexel University; University of Pennsylvania | 40,961 | 9,456 | 23.1% |
| University Meadows   | Mt. Pleasant, MI | Central Michigan University                   | 19,792 | 6,635 | 33.5  |

## Owned Undeveloped

### Properties:

|                                                 |                   |                                         |        |       |      |
|-------------------------------------------------|-------------------|-----------------------------------------|--------|-------|------|
| Campus Connection Phase II <sup>(3)(8)</sup>    | Urbana, IL        | University of Illinois Urbana/Champaign | (5)    | (5)   | (5)  |
| Campus Ridge Apartments Phase II <sup>(4)</sup> | Johnson City, TN  | East Tennessee State University         | 11,635 | 2,587 | 22.2 |
| Orchard Trails <sup>(14)</sup>                  | Orono, ME         | University of Maine                     | 11,358 | 3,750 | 33.0 |
| The Enclave Phase II <sup>(4)</sup>             | Bowling Green, OH | Bowling Green State University          | (15)   | (15)  | (15) |

## Properties Under

### Non-Binding Letter of Intent:

|                                    |                |                                    |        |       |      |
|------------------------------------|----------------|------------------------------------|--------|-------|------|
| Outfield Park                      | Lincoln, NE    | University of Nebraska             | 21,792 | 6,115 | 26.8 |
| Jacob Heights                      | Mankato, MN    | Minnesota State University Mankato | (16)   | (16)  | (16) |
| Library Gardens                    | Berkeley, CA   | University of California Berkeley  | 32,814 | 8,190 | 25.0 |
| Pegasus Connection Stadium Heights | Orlando, FL    | University of Central Florida      | 42,837 | 4,644 | 14.3 |
|                                    | Mankato, MN    | Minnesota State University Mankato | (16)   | (16)  | (16) |
| Sycamore & 16 <sup>th</sup> Street | Huntsville, TX | Sam Houston State University       | 14,371 | 3,437 | 23.9 |

### Totals Owned, Under Agreement, Undeveloped and Under Letter of Intent

1,058,098 258,367 25.1%

(1) Information regarding Fall 2004 enrollment and number of university-owned beds has been obtained from published sources of the Office of Institutional Research of the applicable college or university, or from the applicable college or university website.

(2) Campus Connection (formerly referred to by us as Melrose Apartments Phase I) consists of a land parcel containing an existing student housing building that is contiguous to a 13.1 acre undeveloped parcel of land. The undeveloped parcel of land is referred to as Campus Connection Phase II (formerly referred to by us as Melrose Apartments Phase II). When developed, Campus Connection Phase II is expected to contain 168 units and 534 beds.

(3) Campus Ridge Apartments consists of a land parcel containing an existing student housing building that is contiguous to a 6.1-acre undeveloped parcel of land. This undeveloped parcel is referred to as Campus Ridge Apartments Phase II. When developed, Campus Ridge Apartments Phase II is expected to contain 112 units and 448 beds.

(4) Fall 2004 enrollment and university-owned beds information for the University of North Carolina Chapel Hill listed above for Chapel Ridge.

(5) Fall 2004 enrollment and university-owned beds information for University of Illinois Urbana/Champaign listed above for Campus Connection Phase I property.

(6) Fall 2004 enrollment and university-owned beds information for Pennsylvania State University listed above for Nittany Crossing.

(7) Fall 2004 enrollment and university-owned beds information for James Madison University listed above for South View Apartments.

(8) Fall 2004 enrollment and university-owned beds information for University of North Carolina Charlotte listed above for The Edge I.



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- (9) Fall 2004 enrollment and university-owned beds information for the University of Florida listed above for Campus Club Apartments property.
- (10) Fall 2004 enrollment and university-owned beds information for East Carolina University above for the Pirate's Cove property.
- (11) Fall 2004 enrollment and university-owned beds information for Georgia Southern University listed above for Campus Club Statesboro property.
- (12) Fall 2004 enrollment and university-owned beds information for Texas Tech University listed above for the University Pointe property.
- (13) Fall 2004 enrollment and university-owned beds information for University of Michigan listed above for Willow Tree Apartments.
- (14) Orchard Trails consists of an undeveloped 61-acre parcel of land located in Orono, Maine. The Enclave Phase II consists of an undeveloped 11-acre parcel of land located in Bowling Green, Ohio. These development land parcels are currently owned by a joint venture in which we hold a 10% interest. We have an option to purchase our joint venture partner's interest in the joint venture within one year after completion of the student housing properties. When developed, Orchard Trails is expected to consist of 144 units and 576 beds, and The Enclave Phase II is expected to consist of 144 units and 576 beds. Construction on both properties began in August 2005 and is expected to be completed prior to the 2006/2007 academic year.
- (15) Fall 2004 enrollment and university-owned beds information for Bowling Green State University listed above for The Enclave.
- (16) Fall 2004 enrollment and university-owned beds information for Minnesota State University Mankato listed above for The Summit.

In addition to increasing costs associated with the renovation of existing on-campus student housing by colleges and universities, budget deficits or budget restrictions are affecting the amount of funds available to colleges and universities for education, thereby limiting states' abilities to increase funding for student housing projects. According to the Center for the Study of Education Policy, state appropriations for higher education have decreased for a second consecutive year. Each state's ability to boost post secondary education spending, while simultaneously handling the strain on health care budgets from a rapidly aging population and increasing funding to primary and secondary education, remains to be seen. Traditionally, both health care and primary education have taken precedence over higher education for political reasons. Based on information provided by the Association of Governing Boards of Colleges and Universities, we believe it is unlikely that states will have enough money to fund all programs completely.

As a result of these trends in state budget deficits, we believe public universities' finances are worsening or threatening their capacity to fund significant capital projects such as student housing. A recent survey by the Common Fund for Nonprofit Organizations found that approximately 1,260 colleges and universities in the U.S. plan to make across-the-board cuts in all academic programs. The same number of colleges and universities plan to trim building and maintenance expenditures, including new construction projects. The majority of facilities-related budget cuts have been for maintenance spending, though many new construction projects also have been postponed.

### *Supply of Student Housing*

According to the publication *College Planning and Management*, of 118 colleges and universities surveyed, on-campus student housing capacity was, on average, 23.7% of the total student population. The remaining percentage of students must look for housing elsewhere. Based upon current projections of enrollment growth, we believe that colleges and universities will be unable to meet the increase in student housing demand with traditional on-campus housing, thereby creating incremental demand for off-campus student housing. Furthermore, our management experience suggests that college and university students increasingly prefer to live in modern, off-campus housing that provides greater privacy and modern amenities, rather than live in on-campus dormitories. Consequently, we believe colleges and universities are turning to private sector developers to bridge the gap between demand for on- and off-campus housing and their ability to provide additional on-campus housing from their own capital resources.

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We expect new construction and development by colleges and universities, various commercial developers, real estate companies and other owners of real estate that are engaged in the construction and development of student housing to compete with us in meeting the anticipated increased demand in student housing over the next 10 years. The development and construction of new student housing properties is extremely capital intensive. Since leases are typically executed for an August or September delivery, construction delays can cause late completion and jeopardize rents for an entire year. As a result, we are pursuing several development opportunities in high barrier-to-entry markets, but we intend to focus our efforts on acquiring existing properties or acquiring newly constructed properties from third party developers in our target markets.

We believe that we are well-positioned to capitalize on the projected shortage of student housing in the U.S. due to our management's experience in the student housing industry, the economies of scale afforded by our size, our access to capital for the acquisition of additional student housing, our high quality student housing product and our systems designed to optimize student housing operations.

### ***Our Student Housing Properties and Agreements***

*Properties we own.* The following table presents information regarding the 51 student housing properties and four undeveloped parcels of land that we own as of September 19, 2005:

| <b>Property Name</b> | <b>Year Built</b> | <b>Primary University Served</b> | <b>Occupancy Rate<sup>(1)</sup></b> | <b>Number of Units<sup>(1)</sup></b> | <b>Number of Beds<sup>(1)</sup></b> |
|----------------------|-------------------|----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Blanton Common*      | 2005              | Valdosta State University        | 100.0%                              | 208                                  | 608                                 |
| Campus               | 1997              | University of Florida            | 95.6                                | 252                                  | 924                                 |
| Club Gainesville     |                   |                                  |                                     |                                      |                                     |
| Campus               | 2003              | Georgia Southern University      |                                     |                                      |                                     |
| Club Statesboro      |                   |                                  |                                     |                                      |                                     |