February 15, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT  06856-5116

Via email: director@fasb.org

RE:  Proposed Accounting Standards Update:  Real Estate – Investment Property
     Entities, issued October 21, 2011
     File Reference No. 2011-210

Dear Sir or Madam:

American Campus Communities, Inc. (“ACC” or “the company”) appreciates this opportunity to respond to the request for comments from the Financial Accounting Standards Board (“FASB”) regarding the Real Estate – Investment Property Entities Proposed Accounting Standards Update (the “Proposed Update”).

ACC is the largest owner, manager and developer of student housing properties in the United States in terms of beds owned, developed, and under management. We are a fully integrated, self-managed and self-administered equity real estate investment trust (“REIT”) with expertise in the acquisition, design, financing, development, construction management, leasing and operational management of student housing properties. As of December 31, 2011, our total owned, joint venture and third-party managed portfolio was comprised of 142 properties with approximately 93,800 beds in approximately 31,700 units.

Student housing properties are typically leased by the bed on an individual lease liability basis, unlike multifamily housing where leasing is by the unit. The number of lease contracts that we administer is therefore equivalent to the number of beds occupied and not the number of units. Unlike traditional multifamily housing, most of our leases for an individual property commence and terminate on the same dates and typically have terms of 9 or 12 months. As such, we must re-lease each property in its entirety on an annual basis.

ACC respectfully submits our opinion that the Proposed Update should not be adopted for the following reasons:

1.  **Fair value measures of investments in real estate are not reliable or meaningful.**

The company believes that fair value estimates are not reliable, due to the inherent subjectivity involved in the estimation process. Furthermore, the company is concerned that reported fair values could potentially be misleading to financial statement users who...
are unfamiliar with the company’s estimation process and methodology, as well as the numerous and complex variables and assumptions that are used in such estimates. We believe that fair value measurements are particularly misleading for real estate assets that are held for a long period and, in particular, to maturity. Even if companies spend the time and effort to produce and report fair value estimates, the company believes that a large majority of financial statement users will either discount or ignore such estimates altogether. Under the current historical cost method of reporting, our investors understand our reported amounts and have confidence in those amounts because they are based on verifiable market transactions for specific assets. Therefore, the company believes that fair value estimates will introduce unnecessary volatility into financial statements, with little added benefit.

Under a requirement to report our investments in real estate at fair value, the company is also concerned about increased exposure to shareholder lawsuits. For example, we are concerned that ACC would be subject to additional legal exposure that would result from, for example, a good-faith estimate of the value of a property that was disclosed one reporting period but differs from the amount a property is eventually sold for in a future reporting period. Management is apprehensive that, even though the original fair value estimate was calculated and reported in good faith using the best information available to management at that point in time, a shareholder may not understand this and may initiate a lawsuit if the company ultimately disposes of that property for a lower price.

2. The determination of fair value is inherently subjective and will result in a wide variety of practice and information asymmetry within the real estate industry.

Because of the high degree of subjectivity involved in the process of estimating fair value, it is likely that requiring companies to account for their real estate investments at fair value will result in a large degree of information asymmetry among similar companies and among the real estate industry in general. There are many different methods currently used within the real estate industry to estimate fair value, each of which includes any number of subjective assumptions such as cost of capital, discount rates, capitalization rates, rental and expense growth rates, and other nuances specific to each market and sub-market. In addition, factors that are unique to the student housing product type, as discussed in more detail below, could result in fair value measurements that are not comparable to other types of real estate.

The company is concerned that the unique aspects of the student housing industry will pose additional challenges when determining fair value estimates. Specifically, the student housing product type is a small niche within the larger real estate industry, resulting in a lack of reliable data points. Not only is there a low amount of transaction activity within this segment as compared to other types of real estate, but valuation estimates are also very sensitive to specific factors within geographical sub-markets. For example, whereas the Gainesville, Florida area would be considered a geographical market for multi-family or industrial real estate companies, for ACC’s purposes this market consists of up to four sub-markets, including both on-campus and off-campus housing. Each sub-market is distinguished by unique characteristics such as proximity to
campus, student demographics, proximity to nightlife/downtown areas, age of students (i.e. upperclassmen versus lowerclassmen), and University housing policies. ACC also utilizes alternative structures that involve leasing land from University systems and building student housing on those sites. These buildings will ultimately revert to the University upon termination of the long-term ground leases, which adds an additional layer of complexity into the valuation process. These considerations that are unique to the student housing product type will make it especially challenging for the company to obtain meaningful appraisals. Accordingly, these factors will make it difficult for the company to produce reliable fair value estimates, and for investors and other financial statement users to interpret and understand those measurements.

In addition, the company is concerned that requiring companies to report at fair value presents management teams with the opportunity to manage earnings by adjusting the value of their real estate portfolio in order to smooth or improve earnings measures. Even with transparent and robust disclosures around the assumptions used, that does not change the fact that the estimates in and of themselves are extremely judgmental and are generally understood by only a small population of financial statement users.

3. **Disclosing fair value information will be detrimental to the company’s investment activities and asset management functions.**

The company is very concerned that disclosing highly subjective fair value estimates will ultimately be detrimental to the company’s overall investment strategy, which we believe impacts our total return to investors. For example, we, like most other REITs, are constantly monitoring our property portfolio and identifying assets that no longer meet the company’s growth or investment criteria. If the company were to periodically disclose its estimate of fair value for these potential disposition opportunities, along with the detailed assumptions used in such estimates, we are concerned that potential buyers will have access to this information and will either misunderstand it or use it to the company’s disadvantage during contract negotiations. We feel strongly that this severely inhibits our ability to sell properties at prices that will allow us to recycle capital into better investment opportunities, which will ultimately affect our shareholders by limiting our ability to maximize the returns on our real estate investments. It should also be noted that reporting fair value information will also put us at a competitive disadvantage to smaller private owners and operators of student housing that constitute a majority of the companies with whom the company transacts for property acquisitions and dispositions. If these smaller privately-held companies are not required to report their own fair value information, yet are entitled to detailed information regarding the company’s estimates of fair value, it is clear that they will enjoy a distinct competitive advantage and that ACC, and ultimately our shareholders, will experience a disadvantage.

In addition, our asset management efforts will also suffer as a result of disclosing our fair value estimates. Specifically, we actively manage our real and personal property tax exposure in the numerous jurisdictions in which we operate throughout the country. We have serious concerns over taxing authorities having access to our fair value estimates and misunderstanding them or misusing them to the company’s disadvantage. We
believe that our asset management function, of which real and personal property tax expense management is a large component, is not only a strong competitive advantage but is also fundamental to our ability to maximize total return for our investors. Requiring us to disclose information that would greatly compromise this function, with little added benefit, does not appear to be in the best interests of the company’s shareholders.

4. Adopting the Proposed Update would be cost prohibitive.

The company is concerned with a number of additional costs that will be incurred as a result of adopting the Proposed Update. Specifically, we believe it is likely that our external auditors will require external appraisals for all or a large majority of our properties each year, as our investments in real estate are our largest asset and the company’s internal estimation process is highly subjective. Whereas companies that specialize in other real estate product types with long-term leases might be able to obtain appraisals for their properties on a periodic basis, for example every 3-5 years, the unique nature of student housing would most likely require appraisals more often. Because our properties must be leased in their entirety each academic year, and because University housing policies often change from year to year, it is likely that the value of each property will need to be closely analyzed on an annual basis in order to properly account for the most recent leasing results, among other factors. Therefore, the appraisal and valuation process will likely be more expensive and require a much greater time commitment for our company as compared to other real estate companies.

There will also be an additional ongoing cost as a result of our external auditors being required to audit changes in fair value assumptions each reporting period. Subjecting highly judgmental estimates to the external audit process will place an unnecessary burden on the company to defend and substantiate assumptions that are inherently judgmental to begin with. We estimate the annual cost of appraising our 116 wholly-owned properties to be approximately $500,000 per year, and we also believe it is likely that our external audit fees will increase by at least $100,000 per year, or 10%, as a result of adopting the Proposed Update. We also anticipate incurring considerable personnel costs associated with the following activities: (i) documenting and maintaining our fair value estimates, (ii) developing, maintaining, and testing internal controls over the estimation process, (iii) managing the process of obtaining external appraisals and performing detailed reviews of those appraisals, and (iv) management’s periodic review of such fair value estimates.

Finally, it should be noted that the increased costs that the company would incur as a result of adopting the Proposed Update would not be incurred by smaller privately-held owners of student housing, who make up a majority of the student housing industry. Because these smaller private companies make up a majority of our competition on a property by property basis, they will be able to enjoy the competitive advantage of not having to incur these additional compliance costs. This will ultimately result in these companies having the flexibility to charge lower rental rates than ACC, who could
potentially be forced to pass our additional compliance costs along to our residents. It is clear that this situation would not be in our shareholders’ best interests.

5. **The Proposed Update does not converge with International Financial Reporting Standards (“IFRS”).**

Individuals in leadership positions at both the FASB and the Securities and Exchange Commission (“SEC”) have made prior public comments regarding the importance of working towards global comparability of financial statements. Keeping this in mind, we were surprised that certain key aspects of the Proposed Update diverge from IAS 40. For example, if the FASB determines that the entity-based assessment outlined in the Proposed Update is preferable to the property-based assessment outlined in IAS 40, we feel strongly that the FASB and the International Accounting Standards Board (“IASB”) should work jointly to develop a unified and converged standard, rather than the FASB issuing a standard that fundamentally differs in key aspects such as this.

6. **Certain criteria outlined in the Proposed Update that are evaluated to determine whether an entity is an investment property entity are too vague and open to diverse subjective determinations.**

*Nature of business activities: “Substantially all of the entity’s business activities are investing in a real estate property of properties.”*

The term “substantially all” used within this criterion is vague and open to various degrees of interpretation. For example, ACC utilizes a taxable REIT subsidiary (“TRS”) to provide management and development services to third-party owners of student housing properties. The fees earned from this segment of our business are a significant component of our operational results for any given reporting period, despite the fact that this fee income is not generated from “investing in real estate property,” as outlined in the Proposed Standard. Additionally, this segment is an important component of our business and is taken into account by analysts when calculating their estimates of the net asset value (“NAV”) of our company. In addition to the fee income generated from this segment of our business, these third-party management and development activities often result in us holding significant assets on our books. For example, we often hold large accounts receivable balances related to these third-party fees that we have earned but have not yet been paid for. We also hold significant assets related to predevelopment costs incurred by us, for which we will ultimately be reimbursed once the project closes on financing.

When evaluating the significance of such assets in accordance with the “substantially all” criterion, it is easy to see that the Proposed Standard does not provide clear guidance on how entities such as ACC should evaluate these ancillary activities that are not necessarily a direct investment in real estate, but that are nonetheless an important component of our business. It should be noted that many REITs provide such ancillary services through TRS entities, and we are concerned that the wording as currently proposed will result in a wide variety of interpretations of this criterion. We are also
concerned about how we would substantiate our assessment of this criterion to an external auditor, given the vague criteria that are provided. Finally, we are apprehensive that the natural variations in the volume of this business segment over time might result in us shifting in and out of the Proposed Update, thereby diminishing the usefulness of our financial statements to users.

Express business purpose — “The express business purpose of the entity is to invest in real estate property or properties for total return including an objective to realize capital appreciation.”

When evaluating this language included in the Proposed Standard, ACC refers to the following disclosure from its December 31, 2010 Form 10-K:

Business Objectives: Our primary business objectives are to create long-term stockholder value by deploying capital to develop, redevelop, acquire and operate student housing communities, and to sell communities when they no longer meet our long-term investment strategy and when market conditions are favorable. We believe we can achieve these objectives by continuing to implement our investment strategies and successfully manage our operating segments, which are described in more detail below.

Long-term stockholder value is ultimately created by maximizing the total return to investors, which is affected by both operational cash flows and capital appreciation. ACC does not believe that a company needs to sell investment property to have the property’s appreciation in value impact total return. Therefore, requiring companies to have an express business purpose to realize capital appreciation is a narrow view that will result in a wide diversity of interpretation within the real estate industry and will most likely result in many real estate companies being scoped out of the Proposed Update.

In summary, the vague language in the above two criteria will result in companies having the ability to subjectively determine whether they should be included in the scope of the Proposed Update. Therefore, this ultimately results in providing companies with an unintended and implicit option to report properties at fair value, rather than the intended requirement, depending on how a company chooses to interpret the investment property entity criteria.

In conclusion, for the reasons described above, the company believes that continuing to value real estate investments at historical cost is more reliable, objective, transparent, and meaningful to investors and financial statement users. We agree with the Board’s conclusions in paragraphs BC75 and BC76 of the Proposed Update, stating that the benefits derived from expanding fair value accounting must be greater than the related costs, and that the entities subject to the Proposed Update should not incur significant costs to comply. We estimate that the additional costs we would incur related to appraisals, audit fees, and internal personnel costs are likely to exceed $1 million. This does not include anticipated increases in property taxes as well as reduced cash proceeds from property dispositions, which are difficult to estimate but could likely be significant.
Finally, we believe that the additional costs the company would incur to comply with the Proposed Update would ultimately be detrimental to our shareholders, as these additional costs could result in reduced cash flow, reduced taxable income, and ultimately reduced payments to shareholders in the form of dividends. The company is aware that many other stakeholders, such as audit firms and appraisal companies, will most likely support fair value accounting for real estate companies simply because of the additional fee revenue that will be generated by a fair value reporting requirement. However, the company’s opinion is that any perceived benefit from requiring fair value reporting does not outweigh the added costs and risks to a company’s business functions that would be introduced by such a requirement. Ultimately, the company believes that fair value accounting would not be beneficial to the company’s shareholders.

However, if the FASB chooses to move forward with this requirement, the Company strongly urges the FASB to withdraw the Proposed Update and return to its original intention of working jointly with the IASB to converge accounting standards in this area. Specifically, the FASB should revise the Proposed Update to align more closely with IAS 40 while also providing more robust guidance around the determination criteria for investment property entities.

We greatly appreciate the opportunity to comment on this Proposed Update, and we would be pleased to discuss any of our concerns with the FASB. We can be reached at (512) 732-1000.

Respectfully submitted,

/s/ Jonathan A. Graf
Jonathan A. Graf
Executive Vice President and Chief Financial Officer

/s/ Kim K. Voss
Kim K. Voss
Senior Vice President, Controller