INVESTORS REAL ESTATE TRUST
Form 10-K
July 14, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2011

or

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 000-14851

Investors Real Estate Trust
(Exact name of Registrant as specified in its charter)

North Dakota	45-0311232
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3015 16th Street SW, Suite 100
Minot, North Dakota 58701
(Address of principal executive offices)

701-837-4738
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common Shares of Beneficial Interest (no par value) - NASDAQ Global Select Market
Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (no par value) - NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes þ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

o Yes þ No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

þ Yes o No

Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

o Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

o Large accelerated filer	þ Accelerated filer
o Non-accelerated filer	o Smaller reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes þ No

The aggregate market value of the Registrant's outstanding common shares of beneficial interest held by non-affiliates of the Registrant as of October 29, 2010 was $679,638,043 based on the last reported sale price on the NASDAQ Global Select Market on October 29, 2010. For purposes of this calculation, the Registrant has assumed that its trustees and executive officers are affiliates.

The number of common shares of beneficial interest outstanding as of June 30, 2011, was 80,771,119.

References in this Annual Report on Form 10-K to the "Company," "IRET," "we," "us," or "our" include consolidat subsidiaries, unless the context indicates otherwise.

Documents Incorporated by Reference: Portions of IRET's definitive Proxy Statement for its 2011 Annual Meeting of Shareholders to be held on September 20, 2011 are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) hereof.

2009 Annual Report

INVESTORS REAL ESTATE TRUST

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Special Note Regarding Forward Looking Statements

Certain statements included in this Annual Report on Form 10-K and the documents incorporated into this document by reference are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements include statements about our belief that we have the liquidity and capital resources necessary to meet our known obligations and to make additional real estate acquisitions and capital improvements when appropriate to enhance long term growth; and other statements preceded by, followed by or otherwise including words such as "believe," "expect," "intend," "project," "plan," "anticipate," "potential," "may," "will," "estimate," "should," "continue" and other similar expressions. These statements indicate that we have used assumptions that are subject to a number of risks and uncertainties that could cause our actual results or performance to differ materially from those projected.

Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include:

- the economic health of the markets in which we own and operate multi-family and commercial properties, in particular the states of Minnesota and North Dakota, or other markets in which we may invest in the future;
- the economic health of our commercial tenants;
- market rental conditions, including occupancy levels and rental rates, for multi-family residential and commercial properties;
- our ability to identify and secure additional multi-family residential and commercial properties that meet our criteria for investment;
- our ability to manage rapid growth in the number of our employees and internally–managed properties;
- the level and volatility of prevailing market interest rates and the pricing of our common shares of beneficial interest;
- financing risks, such as our inability to obtain debt or equity financing on favorable terms, or at all;
- compliance with applicable laws, including those concerning the environment and access by persons with disabilities; and
- the availability and cost of casualty insurance for losses.

Readers should carefully review our financial statements and the notes thereto, as well as the section entitled "Risk Factors" in Item 1A of this Annual Report on Form 10-K and the other documents we file from time to time with the Securities and Exchange Commission ("SEC").

In light of these uncertainties, the events anticipated by our forward-looking statements might not occur. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause our actual results to differ materially from those contemplated in any forward-looking statements included in this Annual Report on Form 10-K should not be construed as exhaustive.

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PART I

Item 1. Business

Overview

Investors Real Estate Trust ("IRET" or the "Company") is a self-advised equity Real Estate Investment Trust ("REIT") organized under the laws of North Dakota. Since our formation in 1970, our business has consisted of owning and operating income-producing real estate properties. We are structured as an Umbrella Partnership Real Estate Investment Trust or UPREIT and we conduct our day-to-day business operations through our operating partnership, IRET Properties, a North Dakota Limited Partnership ("IRET Properties" or the "Operating Partnership"). Our investments consist of multi-family residential properties and commercial office, commercial medical, commercial industrial and commercial retail properties. These properties are located primarily in the upper Midwest states of Minnesota and North Dakota. For the twelve months ended April 30, 2011, our real estate investments in these two states accounted for 68.6% of our total gross revenue. Our principal executive office is located in Minot, North Dakota. We also have a corporate office in Minneapolis, Minnesota, and additional property management offices in locations in Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota and South Dakota.

We seek to diversify our investments among multi-family residential, commercial office, commercial medical, commercial industrial and commercial retail properties. As of April 30, 2011, our real estate portfolio consisted of:

- 78 multi-family residential properties, containing 8,661 apartment units and having a total real estate investment amount net of accumulated depreciation of $367.1 million;

- 68 commercial office properties containing approximately 5.1 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $490.8 million;

- 56 commercial medical properties (including senior housing) containing approximately 2.7 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $382.5 million;

- 19 commercial industrial properties containing approximately 3.0 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $99.9 million; and

- 33 commercial retail properties containing approximately 1.4 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $101.5 million.

Our residential leases are generally for a one-year term. Our commercial properties are typically leased to tenants under long-term lease arrangements. As of April 30, 2011, no individual tenant accounted for more than 10% of our total real estate rentals, although affiliated entities of Edgewood Vista together accounted for approximately 10.8% of our total commercial segments' minimum rents.

Structure

We were organized as a REIT under the laws of North Dakota on July 31, 1970.

Since our formation, we have operated as a REIT under Sections 856-858 of the Internal Revenue Code of 1986, as amended (the "Code"), and since February 1, 1997, we have been structured as an UPREIT. Since restructuring as an UPREIT, we have conducted our daily business operations primarily through IRET Properties. IRET Properties is organized under the laws of North Dakota pursuant to an Agreement of Limited Partnership dated January 31, 1997.

IRET Properties is principally engaged in acquiring, owning, operating and leasing multi-family residential and commercial real estate. The sole general partner of IRET Properties is IRET, Inc., a North Dakota corporation and our wholly-owned subsidiary. All of our assets (except for qualified REIT subsidiaries) and liabilities were contributed to IRET Properties, through IRET, Inc., in exchange for the sole general partnership interest in IRET Properties. As of April 30, 2011, IRET, Inc. owned an 80.1% interest in IRET Properties. The remaining ownership of IRET Properties is held by individual limited partners.

Investment Strategy and Policies

Our business objective is to increase shareholder value by employing a disciplined investment strategy. This strategy is focused on growing assets in desired geographical markets, achieving diversification by property type and location, and adhering to targeted returns in acquiring properties.

We generally use available cash or short-term floating rate debt to acquire real estate. We then replace such cash or short-term floating rate debt with fixed-rate secured debt. In appropriate circumstances, we also may acquire one or more properties in exchange for our common shares of beneficial interest ("common shares") or for limited partnership units of IRET Properties ("limited partnership units" or "UPREIT Units"), which are convertible, after the expiration of a minimum holding period of one year, into cash or, at our sole discretion, into our common shares on a one-to-one basis.

Our investment strategy is to invest in multi-family residential properties, and in commercial office, commercial medical, commercial industrial and commercial retail properties that are leased to single or multiple tenants, usually for five years or longer, and are located throughout the upper Midwest. We operate mainly within the states of North Dakota and Minnesota, although we also have real estate investments in Colorado, Idaho, Iowa, Kansas, Michigan, Missouri, Montana, Nebraska, South Dakota, Wisconsin and Wyoming.

In order to implement our investment strategy we have certain investment policies. Our significant investment policies are as follows:

Investments in the securities of, or interests in, entities primarily engaged in real estate activities and other securities. While we are permitted to invest in the securities of other entities engaged in the ownership and operation of real estate, as well as other securities, we currently have no plans to make any investments in other securities.

Any policy, as it relates to investments in other securities, may be changed by a majority of the members of our Board of Trustees at any time without notice to or a vote of our shareholders.

Investments in real estate or interests in real estate. We currently own multi-family residential properties and/or commercial properties in 13 states. We may invest in real estate, or interests in real estate, located anywhere in the United States; however, we currently plan to focus our investments in those states in which we already have property, with specific concentration in Minnesota, North Dakota, Nebraska, Iowa, Colorado, Montana, South Dakota, and Kansas. Similarly, we may invest in any type of real estate or interest in real estate including, but not limited to, office buildings, apartment buildings, shopping centers, industrial and commercial properties, special purpose buildings and undeveloped acreage. Under our Third Restated Trustees' Regulations (Bylaws), however, we may not invest more than 10.0% of our total assets in unimproved real estate, excluding property being developed or property where development will be commenced within one year.

It is not our policy to acquire assets primarily for capital gain through sale in the short term. Rather, it is our policy to acquire assets with an intention to hold such assets for at least a 10-year period. During the holding period, it is our policy to seek current income and capital appreciation through an increase in value of our real estate portfolio, as well as increased revenue as a result of higher rents.

Any policy, as it relates to investments in real estate or interests in real estate may be changed by our Board of Trustees at any time without notice to or a vote of our shareholders.

Investments in real estate mortgages. While not our primary business focus, from time to time we make loans to others that are secured by mortgages, liens or deeds of trust covering real estate. We have no restrictions on the type of

property that may be used as collateral for a mortgage loan; provided, however, that except for loans insured or guaranteed by a government or a governmental agency, we may not invest in or make a mortgage loan unless an appraisal is obtained concerning the value of the underlying property. Unless otherwise approved by our Board of Trustees, it is our policy that we will not invest in mortgage loans on any one property if in the aggregate the total indebtedness on the property, including our mortgage, exceeds 85.0% of the property's appraised value. We can invest in junior mortgages without notice to, or the approval of, our shareholders. As of April 30, 2011 and 2010, we had no junior mortgages

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outstanding. We had one contract for deed outstanding as of April 30, 2011 and 2010, with a balance due to us, net of reserves, of approximately $156,000 and $158,000, respectively.

Our policies relating to mortgage loans, including second mortgages, may be changed by our Board of Trustees at any time, or from time to time, without notice to, or a vote of, our shareholders.

Policies With Respect to Certain of Our Activities

Our current policies as they pertain to certain of our activities are described as follows:

Distributions to shareholders and holders of limited partnership units. One of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distribute 90% of its net taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our general policy has been to make cash distributions to our common shareholders and the holders of limited partnership units of approximately 65.0% to 90.0% of our funds from operations and to use the remaining funds for capital improvements or the purchase of additional properties. This policy may be changed at any time by our Board of Trustees without notice to, or approval of, our shareholders. Distributions to our common shareholders and unitholders in fiscal years 2011 and 2010 totaled approximately 108.9% and 99.2%, respectively, on a per share and unit basis of our funds from operations. Subsequent to the end of fiscal year 2011, our Board of Trustees approved a plan to reduce the Company's quarterly distribution to $0.1300 from $0.1715 per common share and limited partnership unit, effective with the next quarterly distribution planned for October 3, 2011. The Board currently intends to maintain this level of cash distribution for at least the next four quarters. All future distributions remain subject to the discretion of the Company's Board of Trustees.

Issuing senior securities. On April 26, 2004, we issued 1,150,000 shares of 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series A preferred shares"). Depending on future interest rate and market conditions, we may issue additional preferred shares or other senior securities which would have dividend and liquidation preference over our common shares.

Borrowing money. We rely on borrowed funds in pursuing our investment objectives and goals. It is generally our policy to seek to borrow up to 65.0% to 75.0% of the appraised value of all new real estate acquired or developed. This policy concerning borrowed funds is vested solely with our Board of Trustees and can be changed by our Board of Trustees at any time, or from time to time, without notice to, or a vote of, our shareholders. Such policy is subject, however, to the limitation in our Bylaws, which provides that unless approved by a majority of the independent members of our Board of Trustees and disclosed to our shareholders in our next quarterly report along with justification for such excess, we may not borrow in excess of 300.0% of our total Net Assets (as such term is used in our Bylaws, which usage is not in accordance with generally accepted accounting principles ("GAAP"), "Net Assets" means our total assets at cost before deducting depreciation or other non-cash reserves, less total liabilities). Our Bylaws do not impose any limitation on the amount that we may borrow against any one particular property. As of April 30, 2011, our ratio of total indebtedness to total real estate assets was 70.8% while our ratio of total indebtedness as compared to our Net Assets (computed in accordance with our Bylaws) was 117.9%.

Offering securities in exchange for property. Our organizational structure allows us to issue shares and to offer limited partnership units of IRET Properties in exchange for real estate. The limited partnership units are convertible into cash, or, at our option, common shares on a one-for-one basis after a minimum one-year holding period. All limited partnership units receive the same cash distributions as those paid on common shares. Limited partners are not entitled to vote on any matters affecting us until they convert their limited partnership units to common shares.

Our Articles of Amendment and Third Restated Declaration of Trust does not contain any restrictions on our ability to offer limited partnership units of IRET Properties in exchange for property. As a result, any decision to do so is vested solely in our Board of Trustees. This policy may be changed at any time, or from time to time, without notice to, or a vote of, our shareholders. For the three most recent fiscal years ended April 30, we have issued the following limited partnership units of IRET Properties in exchange for properties:

	(in thousands)		
	2011	2010	2009
Limited partnership units issued	555	390	362
Value at issuance	$4,996	$3,897	$3,730

Acquiring or repurchasing shares. As a REIT, it is our intention to invest only in real estate assets. Our Articles of Amendment and Third Restated Declaration of Trust does not prohibit the acquisition or repurchase of our common or preferred shares or other securities so long as such activity does not prohibit us from operating as a REIT under the Code. Any policy regarding the acquisition or repurchase of shares or other securities is vested solely in our Board of Trustees and may be changed at any time, or from time to time, without notice to, or a vote of, our shareholders.

During fiscal year 2011, we did not repurchase any of our outstanding common shares, preferred shares or limited partnership units, except for the redemption of a nominal amount of fractional common shares held by shareholders.

To make loans to other persons. Our organizational structure allows us to make loans to other persons, subject to certain conditions and subject to our election to be taxed as a REIT. All loans must be secured by real property or limited partnership units of IRET Properties. Our mortgage loans receivables (including contracts for deed), net of reserves, totaled approximately $156,000 as of April 30, 2011, and $158,000 as of April 30, 2010.

To invest in the securities of other issuers for the purpose of exercising control. We have not, for the past three years, engaged in, and we are not currently engaging in, investment in the securities of other issuers for the purpose of exercising control. Our Articles of Amendment and Third Restated Declaration of Trust does not impose any limitation on our ability to invest in the securities of other issuers for the purpose of exercising control. Any decision to do so is vested solely in our Board of Trustees and may be changed at any time, or from time to time, without notice to, or a vote of, our shareholders.

Information about Segments

We currently operate in five reportable real estate segments: multi-family residential, commercial office, commercial medical (including senior housing), commercial industrial and commercial retail. For further information on these segments and other related information, see Note 11 of our consolidated financial statements, and Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

Our Executive Officers

Set forth below are the names, ages, titles and biographies of each of our executive officers as of July 1, 2011.

Name	Age	Title
Timothy P. Mihalick	52	President and Chief Executive Officer
Thomas A. Wentz, Jr.	45	Senior Vice President and Chief Operating Officer
Diane K. Bryantt	47	Senior Vice President and Chief Financial Officer
Michael A. Bosh	40	Senior Vice President and General Counsel
Charles A. Greenberg	52	Senior Vice President, Commercial Asset Management

Ted E. Holmes	40	Senior Vice President, Finance
Andrew Martin	38	Senior Vice President, Residential Property Management
Thomas A. Wentz, Sr.	75	Senior Vice President and Chief Investment Officer

Timothy P. Mihalick joined us as a financial officer in May 1981, after graduating from Minot State University. He has served in various capacities with us over the years and was named Vice President in 1992. Mr. Mihalick served as the Chief Operating Officer from 1997 to 2009, as a Senior Vice President from 2002 to 2009, and as a member of our Board of Trustees since 1999. In September 2009, Mr. Mihalick was named President and Chief Executive Officer.

Thomas A. Wentz, Jr. is a graduate of Harvard College and the University of North Dakota School of Law, and joined us as General Counsel and Vice President in January 2000. He served as Senior Vice President of Asset Management and Finance from 2002 to 2009 and as a member of our Board of Trustees since 1996. In September

2009, Mr. Wentz was named Chief Operating Officer. Prior to 2000, Mr. Wentz was a shareholder in the law firm of Pringle & Herigstad, P.C. from 1992 to 1999. Mr. Wentz is a member of the American Bar Association and the North Dakota Bar Association, and he is a Director of SRT Communications, Inc. Mr. Wentz is the son of Thomas A. Wentz, Sr.

Diane K. Bryantt is a graduate of Minot State University, joined us in June 1996, and served as our Controller and Corporate Secretary before being appointed to the positions of Senior Vice President and Chief Financial Officer in 2002. Prior to joining us, Ms. Bryantt was employed by First American Bank, Minot, North Dakota.

Michael A. Bosh joined us as Associate General Counsel and Secretary in September 2002, and was named General Counsel in September 2003. Prior to 2002, Mr. Bosh was a shareholder in the law firm of Pringle & Herigstad, P.C. Mr. Bosh graduated from Jamestown College in 1992 and from Washington & Lee University School of Law in 1995. Mr. Bosh is a member of the American Bar Association and the North Dakota Bar Association.

Charles A. Greenberg joined IRET in August 2005 as Director of Commercial Asset Management, and was named Senior Vice President, Commercial Asset Management in November 2008. He is a graduate of the University of Wisconsin-Madison and has over 26 years of experience in both asset and property management of institutional-grade real estate investments. From 1989 to 2005, Mr. Greenberg was General Manager at Northco Corporation, a Minneapolis-based real estate investment firm.

Ted E. Holmes joined us in 2009 as Vice President of Finance, and was promoted to Senior Vice President of Finance in December 2010. Mr. Holmes has over 15 years of experience in the finance industry, including the placement of debt and equity as a commercial and multi-family mortgage banker. From 1994 to 2002 Mr. Holmes was an Analyst and Assistant Vice President with Towle Financial Services/Midwest, a privately held mortgage banking company in Minneapolis, and he served as Director with Wells Fargo Bank, NA from 2003 to 2009. He holds a Bachelor of Arts degree in Economics from St. Cloud State University and is a licensed Minnesota Broker.

Andrew Martin joined IRET in October 2010 to lead the Company’s Residential Property Management division. In May 2011 Mr. Martin was promoted to Senior Vice President of Residential Property Management. He has over 17 years of experience in the commercial and multi-family property management industry. Prior to his employment with IRET, Mr. Martin was a partner with INH Companies, a property management firm based in St. Cloud, Minnesota, and also worked in Minneapolis, Minnesota for United Properties as a regional property manager. Mr. Martin holds a bachelors degree in Real Estate and a Master’s degree in Business Administration from St. Cloud State University, and has earned the designation of Certified Property Manager from the Institute of Real Estate Management.

Thomas A. Wentz, Sr. is a graduate of Harvard College and Harvard Law School, and has been associated with us since our formation on July 31, 1970. Mr. Wentz was a member of our Board of Trustees from 1970 to 1998, Secretary from 1970 to 1987, Vice President from 1987 to July 2000, and President and Chief Executive Officer from July 2000 to September 2009. He currently serves on a part-time basis as Senior Vice President and Chief Investment Officer. Previously, from 1985 to 1991, Mr. Wentz was a Vice President of our former advisor, Odell-Wentz & Associates, L.L.C., and, until August 1, 1998, was a partner in the law firm of Pringle & Herigstad, P.C.

Employees

As of April 30, 2011, we had 383 employees, of whom 305 were full-time and 78 part-time employees. Of these 383 employees, 57 are corporate staff in our Minot, North Dakota and Minneapolis, Minnesota offices, and 326 are property management employees based at our properties or in local property management offices.

Environmental Matters and Government Regulation

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred in connection with any contamination. In addition, some environmental laws create a lien on a contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. These laws often impose liability without regard to whether the current owner was responsible for, or even knew of, the presence of such substances. It is generally our policy to obtain from independent environmental consultants a “Phase I” environmental audit

(which involves visual inspection but not soil or groundwater analysis) on all properties that we seek to acquire. We do not believe that any of our properties are subject to any material environmental contamination. However, no assurances can be given that:

- a prior owner, operator or occupant of the properties we own or the properties we intend to acquire did not create a material environmental condition not known to us, which might have been revealed by more in-depth study of the properties; and

- future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in the imposition of environmental liability upon us.

In addition to laws and regulations relating to the protection of the environment, many other laws and governmental regulations are applicable to our properties, and changes in the laws and regulations, or in their interpretation by agencies and the courts, occur frequently. Under the Americans with Disabilities Act of 1990 (the "ADA"), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. In addition, the Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment communities first occupied after March 13, 1990, to be accessible to the handicapped. Non-compliance with the ADA or the FHAA could result in the imposition of fines or an award of damages to private litigants. We believe that those of our properties to which the ADA and/or FHAA apply are substantially in compliance with present ADA and FHAA requirements.

Competition

Investing in and operating real estate is a very competitive business. We compete with other owners and developers of multi-family and commercial properties to attract tenants to our properties. Ownership of competing properties is diversified among other REITs, financial institutions, individuals and public and private companies who are actively engaged in this business. Our multi-family properties compete directly with other rental apartments, as well as with condominiums and single-family homes that are available for rent or purchase in the areas in which our properties are located. Our commercial properties compete with other commercial properties for tenants. Additionally, we compete with other real estate investors, including other REITs, pension and investment funds, partnerships and investment companies, to acquire properties. This competition affects our ability to acquire properties we want to add to our portfolio and the price we pay in acquisitions. We do not believe we have a dominant position in any of the geographic markets in which we operate, but some of our competitors are dominant in selected markets. Many of our competitors have greater financial and management resources than we have. We believe, however, that the geographic diversity of our investments, the experience and abilities of our management, the quality of our assets and the financial strength of many of our commercial tenants affords us some competitive advantages that have in the past and will in the future allow us to operate our business successfully despite the competitive nature of our business.

Corporate Governance

The Company's Board of Trustees has adopted various policies and initiatives to strengthen the Company's corporate governance and increase the transparency of financial reporting. Each of the committees of the Company's Board of Trustees operates under written charters, and the Company's independent trustees meet regularly in executive sessions at which only the independent trustees are present. The Board of Trustees has also adopted a Code of Conduct applicable to trustees, officers and employees, and a Code of Ethics for Senior Financial Officers, and has established processes for shareholder communications with the Board of Trustees.

Additionally, the Company's Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by Company employees of concerns regarding accounting or auditing matters.

The Audit Committee also maintains a policy requiring Audit Committee approval of all audit and non-audit services provided to the Company by the Company's independent registered public accounting firm.

The Company will disclose any amendment to its Code of Ethics for Senior Financial officers on its website. In the event the Company waives compliance by any of its trustees or officers subject to the Code of Ethics or Code of Conduct, the Company will disclose such waiver in a Form 8-K filed within four business days.

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Website and Available Information

Our internet address is www.iret.com. We make available, free of charge, through the "SEC filings" tab under the Investors/Financial Reporting section of our website, our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such forms are filed with or furnished to the SEC. Current copies of our Code of Conduct, Code of Ethics for Senior Financial Officers, and Charters for the Audit, Compensation, Executive and Nominating and Governance Committees of our Board of Trustees are also available on our website under the heading "Corporate Governance" in the Investors/Corporate Overview section of our website. Copies of these documents are also available to shareholders upon request addressed to the Secretary at Investors Real Estate Trust, P.O. Box 1988, Minot, North Dakota 58702-1988. Information on our internet website does not constitute part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

Risks Related to Our Properties and Business

Our performance and share value are subject to risks associated with the real estate industry. Our results of operations and financial condition, the value of our real estate assets, and the value of an investment in us are subject to the risks normally associated with the ownership and operation of real estate properties. These risks include, but are not limited to, the following factors which, among others, may adversely affect the income generated by our properties:

- downturns in national, regional and local economic conditions (particularly increases in unemployment);
- competition from other commercial and multi-family residential properties;
- local real estate market conditions, such as oversupply or reduction in demand for commercial and multi-family residential space;
- changes in interest rates and availability of attractive financing;
- declines in the economic health and financial condition of our tenants and our ability to collect rents from our tenants;
- vacancies, changes in market rental rates and the need periodically to repair, renovate and re-lease space;
- increased operating costs, including real estate taxes, state and local taxes, insurance expense, utilities, and security costs;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes and insurance and maintenance costs, which are generally not reduced when circumstances cause a reduction in revenues from a property;
- weather conditions, civil disturbances, natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; and
- decreases in the underlying value of our real estate.

Adverse global market and economic conditions may continue to adversely affect us and could cause us to recognize additional impairment charges or otherwise harm our performance. Market and economic conditions have been challenging for several years, with tighter credit conditions developing at the end of 2008 and continuing in 2009 and 2010, and a sluggish economic recovery and persistent high unemployment continuing into 2011. Continued concerns about the availability and cost of credit, the U.S. mortgage market, inflation and deflation, unemployment levels, geopolitical issues and declining real estate markets have contributed to increased market instability and diminished expectations for the U.S. economy. The commercial real estate sector in particular has been negatively affected by these market and economic conditions. These conditions may result in our tenants delaying lease commencements, requesting rent reductions, declining to extend or renew leases upon expiration and/or renewing at lower rates. These conditions also have forced some weaker tenants, in some cases, to declare bankruptcy and/or

vacate leased premises. We may be unable to re-lease vacated space at attractive rents or at all. We are unable to predict whether, or to what extent or for how long, these adverse market and economic conditions will persist. The continuation and/or intensification of these conditions may impede our ability to generate sufficient operating cash flow to pay expenses, maintain properties, pay distributions and repay debt.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. Government, may adversely affect our business. We depend on the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) for financing for the majority of our multi-family residential properties. Fannie Mae and Freddie Mac are U.S. Government-sponsored entities, or GSEs, but their guarantees are not backed by the full faith and credit of the United States. In recent years, Fannie Mae and Freddie Mac have reported substantial losses and a need for substantial amounts of additional capital. In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and credit market disruptions, Congress and the U.S. Treasury have undertaken a series of actions to stabilize these GSEs and the financial markets generally. In September 2008 Fannie Mae and Freddie Mac were placed in federal conservatorship. The problems faced by Fannie Mae and Freddie Mac resulting in their being placed into federal conservatorship have stirred debate among some federal policy makers regarding the continued role of the U.S. Government in providing liquidity for the residential mortgage market. In February 2011, the U.S. Department of the Treasury and the U.S. Department of Housing and Urban Development issued a report entitled “Reforming America’s Housing Finance Market.” The report outlines recommendations for reforming the U.S. housing system, including the financing of multi-family residential properties, and discusses specifically the roles of Fannie Mae and Freddie Mac in that system. It is unclear how future legislation may impact Fannie Mae and Freddie Mac’s involvement in multi-family residential financing. The scope and nature of the actions that the U.S. Government will ultimately undertake with respect to the future of Fannie Mae and Freddie Mac are unknown and will continue to evolve. It is possible that each of Fannie Mae and Freddie Mac could be dissolved and the U.S. Government could decide to stop providing liquidity support of any kind to the multi-family residential mortgage market. Future legislation could further change the relationship between Fannie Mae and Freddie Mac and the U.S. Government, and could also nationalize or eliminate such GSEs entirely. Any law affecting these GSEs may create market uncertainty and have the effect of reducing the credit available for financing multi-family residential properties. The loss or reduction of this important source of credit would be likely to result in higher loan costs for us, and could result in inability to borrow or refinance maturing debt, all of which could materially adversely affect our business, operations and financial condition.

Our property acquisition activities subject us to various risks which could adversely affect our operating results. We have acquired in the past and intend to continue to pursue the acquisition of properties and portfolios of properties, including large portfolios that could increase our size and result in alterations to our capital structure. Our acquisition activities and their success are subject to numerous risks, including, but not limited to:

- even if we enter into an acquisition agreement for a property, it is subject to customary closing conditions, including completion of due diligence investigations, and we may be unable to complete that acquisition after making a non-refundable deposit and incurring other acquisition-related costs;
- we may be unable to obtain financing for acquisitions on favorable terms or at all;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be greater than our estimates; and
- we may be unable quickly and efficiently to integrate new acquisitions into our existing operations.

These risks could have an adverse effect on our results of operations and financial condition and the amount of cash available for payment of distributions.

Acquired properties may subject us to unknown liabilities which could adversely affect our operating results. We may acquire properties subject to liabilities and without any recourse, or with only limited recourse against prior owners or other third parties, with respect to unknown liabilities. As a result, if liability were asserted against us based upon ownership of these properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flows. Unknown liabilities with respect to acquired properties might include liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or

other persons against the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Our geographic concentration in Minnesota and North Dakota may result in losses due to our significant exposure to the effects of economic and real estate conditions in those markets. For the fiscal year ended April 30, 2011, we received approximately 68.6% of our gross revenue from properties in Minnesota and North Dakota. As a result of this concentration, we are subject to substantially greater risk than if our investments were more geographically dispersed. Specifically, we are more significantly exposed to the effects of economic and real estate conditions in those particular markets, such as building by competitors, local vacancy and rental rates and general levels of employment and economic activity. To the extent that weak economic or real estate conditions affect Minnesota and/or North Dakota more severely than other areas of the country, our financial performance could be negatively impacted.

If we are not able to renew leases or enter into new leases on favorable terms or at all as our existing leases expire, our revenue, operating results and cash flows will be reduced. We may be unable to renew leases with our existing tenants or enter into new leases with new tenants due to economic and other factors as our existing leases expire or are terminated prior to the expiration of their current terms. As a result, we could lose a significant source of revenue while remaining responsible for the payment of our obligations. In addition, even if we were able to renew existing leases or enter into new leases in a timely manner, the terms of those leases may be less favorable to us than the terms of expiring leases, because the rental rates of the renewal or new leases may be significantly lower than those of the expiring leases, or tenant installation costs, including the cost of required renovations or concessions to tenants, may be significant. If we are unable to enter into lease renewals or new leases on favorable terms or in a timely manner for all or a substantial portion of space that is subject to expiring leases, our revenue, operating results and cash flows will be adversely affected. As a result, our ability to make distributions to the holders of our shares of beneficial interest may be adversely affected. As of April 30, 2011, approximately 1.7 million square feet, or 13.9% of our total commercial property square footage, was vacant. Approximately 623 of our 8,661 apartment units, or 7.2%, were vacant. As of April 30, 2011, leases covering approximately 16.3% of our total commercial segments net rentable square footage will expire in fiscal year 2012, 7.1% in fiscal year 2013, 11.1% in fiscal year 2014, 6.9% in fiscal year 2015, and 11.1% in fiscal year 2016.

We face potential adverse effects from commercial tenant bankruptcies or insolvencies. The bankruptcy or insolvency of our commercial tenants may adversely affect the income produced by our properties. If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy, we cannot evict the tenant solely because of such bankruptcy. A court, however, may authorize the tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant would pay in full amounts it owes us under a lease. This shortfall could adversely affect our cash flow and results of operations. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Under some circumstances, we may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is less than the agreed rental amount. Additionally, without regard to the manner in which a lease termination occurs, we are likely to incur additional costs in the form of tenant improvements and leasing commissions in our efforts to lease the space to a new tenant, as well as possibly lower rental rates reflective of declines in market rents.

Because real estate investments are generally illiquid, and various factors limit our ability to dispose of assets, we may not be able to sell properties when appropriate. Real estate investments are relatively illiquid and, therefore, we have limited ability to vary our portfolio quickly in response to changes in economic or other conditions. In addition, the prohibitions under the federal income tax laws on REITs holding property for sale and related regulations may affect

our ability to sell properties. Our ability to dispose of assets may also be limited by constraints on our ability to utilize disposition proceeds to make acquisitions on financially attractive terms, and the requirement that we take additional impairment charges on certain assets. More specifically, we are required to distribute or pay tax on all capital gains generated from the sale of assets, and, in addition, a significant number of our properties were acquired using limited partnership units of IRET Properties, our operating partnership, and are subject to certain agreements which restrict our ability to sell such properties in transactions that would create current taxable income to the former owners. As a result, we are motivated to structure the sale of these assets as

tax-free exchanges. To accomplish this we must identify attractive re-investment opportunities. These considerations impact our decisions on whether or not to dispose of certain of our assets.

Capital markets and economic conditions can materially affect our financial condition and results of operations, the value of our equity securities, and our ability to sustain payment of our distribution at current levels. Many factors affect the value of our equity securities and our ability to make or maintain at current levels distributions to the holders of our shares of beneficial interest, including the state of the capital markets and the economy, which in recent years have negatively affected substantially all businesses, including ours. Demand for office, industrial, and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting, and real estate transactions and development opportunities have diminished. The availability of credit has been and may continue to be adversely affected by illiquid credit markets. Regulatory pressures and the burden of troubled and uncollectible loans has led some lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers, and this may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. If these market conditions continue or recur, they may limit our ability and the ability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs, which may materially affect our financial condition and results of operations and the value of our equity securities. Declining rental revenues from our properties due to persistent negative economic conditions may have a material adverse effect on our ability to make distributions to the holders of our shares of beneficial interest. In fiscal year 2011, distributions to our common shareholders and unitholders of the Operating Partnership in cash and common shares pursuant to our Distribution Reinvestment and Share Purchase Plan (DRIP) totaled approximately 115.1% of our net cash provided by operating activities. Subsequent to the end of fiscal year 2011, our Board of Trustees approved a plan to reduce the Company's quarterly distribution to $0.1300 from $0.1715 per common share and limited partnership unit, effective with the next quarterly distribution planned for October 3, 2011. The Board currently intends to maintain this level of cash distribution for at least the next four quarters. All future distributions remain subject to the discretion of the Company's Board of Trustees.

Inability to manage rapid growth effectively may adversely affect our operating results. We have experienced significant growth at various times in the past; principally through the acquisition of additional real estate properties. Subject to our continued ability to raise equity capital and issue limited partnership units of IRET Properties and identify suitable investment properties, we intend to continue our acquisition of real estate properties. Effective management of rapid growth presents challenges, including:

- the need to expand our management team and staff;
- the need to enhance internal operating systems and controls; and
- the ability to consistently achieve targeted returns on individual properties.

We may not be able to maintain similar rates of growth in the future, or manage our growth effectively. Additionally, an inability to make accretive property acquisitions may adversely affect our ability to increase our net income. The acquisition of additional real estate properties is critical to our ability to increase our net income. If we are unable to make real estate acquisitions on terms that meet our financial and strategic objectives, whether due to market conditions, a changed competitive environment or unavailability of capital, our ability to increase our net income may be materially and adversely affected. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to make distributions to the holders of our shares of beneficial interest.

The rapid growth in number of employees and financial and managerial resources required to implement our internal property management initiative could have a material adverse effect on our financial condition and results of operations. We have transferred the management of the majority of our commercial and multi-family residential

properties from third-party property management companies to our own employees. To accomplish this transfer, we have needed and will continue to need to hire and retain skilled employees at all levels of our property management operations. Even if we are successful in finding and hiring the appropriate personnel, there will be a significant strain placed on our managerial, operational, training, reporting and financial resources. The inability to hire needed employees on a timely basis, and/or the inability to retain those that we do hire, and the inability to put in place and maintain the necessary legal, accounting, human resource management, employee training and other relationships, resources and tools to manage this rapid growth efficiently, could have a material adverse effect on our financial condition and results of operations.

Competition may negatively impact our earnings. We compete with many kinds of institutions, including other REITs, private partnerships, individuals, pension funds and banks, for tenants and investment opportunities. Many of these institutions are active in the markets in which we invest and have greater financial and other resources that may be used to compete against us. With respect to tenants, this competition may affect our ability to lease our properties, the price at which we are able to lease our properties and the cost of required renovations or tenant improvements. With respect to acquisition and development investment opportunities, this competition may cause us to pay higher prices for new properties than we otherwise would have paid, or may prevent us from purchasing a desired property at all.

High leverage on our overall portfolio may result in losses. As of April 30, 2011, our ratio of total indebtedness to total Net Assets (as that term is used in our Bylaws, which usage is not in accordance with GAAP, "Net Assets" means our total assets at cost before deducting depreciation or other non-cash reserves, less total liabilities) was approximately 117.9%. As of April 30, 2010 and 2009, our percentage of total indebtedness to total Net Assets was approximately 122.9% and 141.8%, respectively. Under our Bylaws we may increase our total indebtedness up to 300.0% of our Net Assets, or by an additional approximately $1.6 billion. There is no limitation on the increase that may be permitted if approved by a majority of the independent members of our board of trustees and disclosed to the holders of our securities in the next quarterly report, along with justification for any excess.

This amount of leverage may expose us to cash flow problems if rental income decreases. Under those circumstances, in order to pay our debt obligations we might be required to sell properties at a loss or be unable to make distributions to the holders of our shares of beneficial interest. A failure to pay amounts due may result in a default on our obligations and the loss of the property through foreclosure. Additionally, our degree of leverage could adversely affect our ability to obtain additional financing and may have an adverse effect on the market price of our common shares.

Our inability to renew, repay or refinance our debt may result in losses. We incur a significant amount of debt in the ordinary course of our business and in connection with acquisitions of real properties. In addition, because we have a limited ability to retain earnings as a result of the REIT distribution requirements, we will generally be required to refinance debt that matures with additional debt or equity. We are subject to the normal risks associated with debt financing, including the risk that:

- our cash flow will be insufficient to meet required payments of principal and interest;
- we will not be able to renew, refinance or repay our indebtedness when due; and
- the terms of any renewal or refinancing will be less favorable than the terms of our current indebtedness.

These risks increase when credit markets are tight; in general, when the credit markets are constrained, we may encounter resistance from lenders when we seek financing or refinancing for properties or proposed acquisitions, and the terms of such financing or refinancing are likely to be less favorable to us than the terms of our current indebtedness.

We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to need to refinance a significant portion of our outstanding debt as it matures. We cannot guarantee that any refinancing of debt with other debt will be possible on terms that are favorable or acceptable to us. If we cannot refinance, extend or pay principal payments due at maturity with the proceeds of other capital transactions, such as new equity capital, our cash flows may not be sufficient in all years to repay debt as it matures. Additionally, if we are unable to refinance our indebtedness on acceptable terms, or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses to us. These losses could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay

amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all with a consequent loss of our revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Internal Revenue Code.

As of April 30, 2011, approximately 5.9% of our mortgage debt is due for repayment in fiscal year 2012. As of April 30, 2011, we had approximately $58.7 million of principal payments and approximately $57.6 million of interest payments due in fiscal year 2012 on fixed and variable-rate mortgages secured by our real estate.

Additionally, as of April 30, 2011, we had $30.0 million outstanding under our $50.0 million multi-bank line of credit, which has a maturity date of August 11, 2013.

The cost of our indebtedness may increase. Portions of our fixed-rate indebtedness incurred for past property acquisitions come due on a periodic basis. Rising interest rates could limit our ability to refinance this existing debt when it matures, and would increase our interest costs, which could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, we have incurred, and we expect to continue to incur, indebtedness that bears interest at a variable rate. As of April 30, 2011, $1.5 million, or approximately 0.2%, of the principal amount of our total mortgage indebtedness was subject to variable interest rate agreements. Additionally, our $50.0 million multi-bank line of credit bears interest at a rate of 1.0% over the Wall Street Journal Prime Rate, with floor of 5.65% and a cap of 8.65%. If short-term interest rates rise, our debt service payments on adjustable rate debt would increase, which would lower our net income and could decrease our distributions to the holders of our shares of beneficial interest.

We depend on distributions and other payments from our subsidiaries that they may be prohibited from making to us, which could impair our ability to make distributions to holders of our shares of beneficial interest. Substantially all of our assets are held through IRET Properties, our operating partnership, and other of our subsidiaries. As a result, we depend on distributions and other payments from our subsidiaries in order to satisfy our financial obligations and make distributions to the holders of our shares of beneficial interest. The ability of our subsidiaries to make such distributions and other payments depends on their earnings, and may be subject to statutory or contractual limitations. As an equity investor in our subsidiaries, our right to receive assets upon their liquidation or reorganization effectively will be subordinated to the claims of their creditors. To the extent that we are recognized as a creditor of such subsidiaries, our claims may still be subordinate to any security interest in or other lien on their assets and to any of their debt or other obligations that are senior to our claims.

Our current or future insurance may not protect us against possible losses. We carry comprehensive liability, fire, extended coverage and rental loss insurance with respect to our properties at levels that we believe to be adequate and comparable to coverage customarily obtained by owners of similar properties. However, the coverage limits of our current or future policies may be insufficient to cover the full cost of repair or replacement of all potential losses. Moreover, this level of coverage may not continue to be available in the future or, if available, may be available only at unacceptable cost or with unacceptable terms. Additionally, there may be certain extraordinary losses, such as those resulting from civil unrest, terrorism or environmental contamination, that are not generally, or fully, insured against because they are either uninsurable or not economically insurable. For example, we do not currently carry insurance against losses as a result of environmental contamination. Should an uninsured or underinsured loss occur to a property, we could be required to use our own funds for restoration or lose all or part of our investment in, and anticipated revenues from, the property. In any event, we would continue to be obligated on any mortgage indebtedness on the property. Any loss could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, in most cases we have to renew our insurance policies on an annual basis and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our business and financial condition and results of operations, which could cause a decline in the market value of our securities.

We have significant investments in commercial medical properties and adverse trends in healthcare provider operations may negatively affect our lease revenues from these properties. We have acquired a significant number of specialty medical properties (including senior housing) and may acquire more in the future. As of April 30, 2011, our real estate portfolio consisted of 56 commercial medical properties, with a total real estate investment amount, net of accumulated depreciation, of $382.5 million, or approximately 26.5% of the total real estate investment amount, net of accumulated depreciation, of our entire real estate portfolio. The healthcare industry is currently experiencing

changes in the demand for, and methods of delivery of, healthcare services; changes in third-party reimbursement policies; significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas; continuing pressure by private and governmental payors to reduce payments to providers of services; and increased scrutiny of billing, referral and other practices by federal and state authorities. Sources of revenue for our commercial medical property tenants may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. These factors may adversely affect the economic performance of some or all of our commercial medical services tenants and, in turn,

our lease revenues. Additional federal Medicaid funding for the states, provided under the American Reinvestment and Recovery Act of 2009, and under a six-month extension of the additional funding as mandated by H.R. 1586, signed into law by the President in August 2010, ended June 30, 2011. Under both the Act and H.R. 1586, states meeting certain eligibility requirements temporarily received additional money in the form of an increase in the federal medical assistance percentage. We cannot predict whether the states will have sufficient funds for their Medicaid programs, following the termination of this additional assistance and as a result of ongoing Medicaid reform efforts. In addition, if we or our tenants terminate the leases for these properties, or our tenants lose their regulatory authority to operate such properties, we may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result could hinder our ability to make distributions to the holders of our shares of beneficial interest.

New federal health care reform laws may adversely affect the operators and tenants of our commercial medical (including senior housing) properties. In March 2010, the President signed into law The Patient Protection and Affordable Care Act ("PPACA") and The Health Care and Education and Reconciliation Act of 2010 (the "Reconciliation Act"), which amends the PPACA (collectively, the "Health Reform Acts"). The Health Reform Acts contain various provisions that may affect us directly as an employer, and that may affect the operators and tenants of commercial medical (including senior housing) properties. While some of the provisions of these laws may have a positive impact on operators' or tenants' revenues, by increasing coverage of uninsured individuals, other provisions may have a negative effect on operator or tenant reimbursements, for example by changing the "market basket" adjustments for certain types of health care facilities. The Health Reform Acts also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants in the event of one or more violations of complex federal health care laws. Additionally, provisions in the Health Reform Acts may affect the health coverage that we and our operators and tenants provide to our respective employees. We currently cannot predict the impact that this far-reaching, landmark legislation will have on our business and the businesses and operations of our tenants. Any loss of revenues and/or additional expenditures incurred by us or by operators and tenants of our properties as a result of the Health Reform Acts could adversely affect our cash flow and results of operations and have a material adverse effect on our ability to make distributions to the holders of our shares of beneficial interest.

Adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations. Increases in real estate taxes and income, service and transfer taxes cannot always be passed through to all tenants in the form of higher rents. As a result, any increase may adversely affect our cash available for distribution, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Similarly, changes in laws that increase the potential liability for environmental conditions existing on properties, that increase the restrictions on discharges or other conditions or that affect development, construction and safety requirements may result in significant unanticipated expenditures that could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, future enactment of rent control or rent stabilization laws or other laws regulating multi-family residential properties may reduce rental revenues or increase operating costs.

Complying with laws benefiting disabled persons or other safety regulations and requirements may affect our costs and investment strategies. Federal, state and local laws and regulations designed to improve disabled persons' access to and use of buildings, including the Americans with Disabilities Act of 1990, may require modifications to, or restrict renovations of, existing buildings. Additionally, these laws and regulations may require that structural features be added to buildings under construction. Legislation or regulations that may be adopted in the future may impose further burdens or restrictions on us with respect to improved access to, and use of these buildings by, disabled persons. Noncompliance could result in the imposition of fines by government authorities or the award of damages to private litigants. The costs of complying with these laws and regulations may be substantial, and limits or restrictions on construction, or the completion of required renovations, may limit the implementation of our investment strategy or

reduce overall returns on our investments. This could have an adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Our properties are also 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 requirements, we could incur fines or private damage awards. Additionally, in the event that existing requirements change, compliance with future requirements may require significant unanticipated expenditures that may adversely affect our cash flow and results of operations.

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We may be responsible for potential liabilities under environmental laws. Under various federal, state and local laws, ordinances and regulations, we, as a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, hazardous or toxic substances in, on, around or under that property. These laws may impose liability without regard to whether we knew of, or were responsible for, the presence of the hazardous or toxic substances. The presence of these substances, or the failure to properly remediate any property containing these substances, may adversely affect our ability to sell or rent the affected property or to borrow funds using the property as collateral. In arranging for the disposal or treatment of hazardous or toxic substances, we may also be liable for the costs of removal of, or remediation of, these substances at that disposal or treatment facility, whether or not we own or operate the facility. In connection with our current or former ownership (direct or indirect), operation, management, development and/or control of real properties, we may be potentially liable for removal or remediation costs with respect to hazardous or toxic substances at those properties, as well as certain other costs, including governmental fines and claims for injuries to persons and property. A finding of liability for an environmental condition as to any one or more properties could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt.

Environmental laws also govern the presence, maintenance and removal of asbestos, and require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos; notify and train those who may come into contact with asbestos; and undertake special precautions if asbestos would be disturbed during renovation or demolition of a building. Indoor air quality issues may also necessitate special investigation and remediation. These air quality issues can result from inadequate ventilation, chemical contaminants from indoor or outdoor sources, or biological contaminants such as molds, pollen, viruses and bacteria. Such asbestos or air quality remediation programs could be costly, necessitate the temporary relocation of some or all of the property’s tenants or require rehabilitation of an affected property.

It is generally our policy to obtain a Phase I environmental study on each property that we seek to acquire. A Phase I environmental study generally includes a visual inspection of the property and the surrounding areas, an examination of current and historical uses of the property and the surrounding areas and a review of relevant state and federal documents, but does not involve invasive techniques such as soil and ground water sampling. If the Phase I indicates any possible environmental problems, our policy is to order a Phase II study, which involves testing the soil and ground water for actual hazardous substances. However, Phase I and Phase II environmental studies, or any other environmental studies undertaken with respect to any of our current or future properties, may not reveal the full extent of potential environmental liabilities. We currently do not carry insurance for environmental liabilities.

We may be unable to retain or attract qualified management. We are dependent upon our senior officers for essentially all aspects of our business operations. Our senior officers have experience in the specialized business segments in which we operate, and the loss of them would likely have a material adverse effect on our operations, and could adversely impact our relationships with lenders, industry personnel and potential tenants. We do not have employment contracts with any of our senior officers. As a result, any senior officer may terminate his or her relationship with us at any time, without providing advance notice. If we fail to manage effectively a transition to new personnel, or if we fail to attract and retain qualified and experienced personnel on acceptable terms, our business and prospects could be harmed. The location of our company headquarters in Minot, North Dakota, may make it more difficult and expensive to attract, relocate and retain current and future officers and employees.

Risks Related to Our Structure and Organization

We may incur tax liabilities as a consequence of failing to qualify as a REIT. Although our management believes that we are organized and have operated and are operating in such a manner to qualify as a “real estate investment trust,” as that term is defined under the Internal Revenue Code, we may not in fact have operated, or may not be able to continue to operate, in a manner to qualify or remain so qualified. Qualification as a REIT involves the application of

highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. Even a technical or inadvertent mistake could endanger our REIT status. The determination that we qualify as a REIT requires an ongoing analysis of various factual matters and circumstances, some of which may not be within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must come from certain passive sources that are itemized in the REIT tax laws, and we are prohibited from owning specified amounts of debt or equity securities of some issuers. Thus, to the extent revenues from non-qualifying sources, such as income from third-party management services, represent more

than five percent of our gross income in any taxable year, we will not satisfy the 95% income test and may fail to qualify as a REIT, unless certain relief provisions contained in the Internal Revenue Code apply. Even if relief provisions apply, however, a tax would be imposed with respect to excess net income. We are also required to make distributions to the holders of our securities of at least 90% of our REIT taxable income, excluding net capital gains. The fact that we hold substantially all of our assets (except for qualified REIT subsidiaries) through IRET Properties, our operating partnership, and its subsidiaries, and our ongoing reliance on factual determinations, such as determinations related to the valuation of our assets, further complicates the application of the REIT requirements for us. Additionally, if IRET Properties, our operating partnership, or one or more of our subsidiaries is determined to be taxable as a corporation, we may fail to qualify as a REIT. Either our failure to qualify as a REIT, for any reason, or the imposition of taxes on excess net income from non-qualifying sources, could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Furthermore, new legislation, regulations, administrative interpretations or court decisions could change the tax laws with respect to our qualification as a REIT or the federal income tax consequences of our qualification.

If we failed to qualify as a REIT, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, which would likely have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, we could be subject to increased state and local taxes, and, unless entitled to relief under applicable statutory provisions, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which we lost our qualification. This treatment would reduce funds available for investment or distributions to the holders of our securities because of the additional tax liability to us for the year or years involved. In addition, we would no longer be able to deduct, and would not be required to make, distributions to holders of our securities. To the extent that distributions to the holders of our securities had been made in anticipation of qualifying as a REIT, we might be required to borrow funds or to liquidate certain investments to pay the applicable tax.

Failure of our operating partnership to qualify as a partnership would have a material adverse effect on us. We believe that IRET Properties, our operating partnership, qualifies as a partnership for federal income tax purposes. No assurance can be given, however, that the Internal Revenue Service will not challenge its status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the Internal Revenue Service were to be successful in treating IRET Properties as an entity that is taxable as a corporation (such as a publicly-traded partnership taxable as a corporation), we would cease to qualify as a REIT because the value of our ownership interest in IRET Properties would exceed 5% of our assets, and because we would be considered to hold more than 10% of the voting securities and value of the outstanding securities of another corporation. Also, the imposition of a corporate tax on IRET Properties would reduce significantly the amount of cash available for distribution by it.

Certain provisions of our Articles of Amendment and Third Restated Declaration of Trust may limit a change in control and deter a takeover. In order to maintain our qualification as a REIT, our Third Restated Declaration of Trust provides that any transaction, other than a transaction entered into through the NASDAQ National Market, (renamed the NASDAQ Global Market), or other similar exchange, that would result in our disqualification as a REIT under Section 856 of the Internal Revenue Code, including any transaction that would result in (i) a person owning in excess of the ownership limit of 9.8%, in number or value, of our outstanding securities, (ii) less than 100 people owning our securities, (iii) our being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code, or (iv) 50% or more of the fair market value of our securities being held by persons other than "United States persons," as defined in Section 7701(a)(30) of the Internal Revenue Code, will be void ab initio. If the transaction is not void ab initio, then the securities in excess of the ownership limit, that would cause us to be closely held, that would result in 50% or more of the fair market value of our securities to be held by persons other than United States persons or that otherwise would result in our disqualification as a REIT, will automatically be exchanged for an equal number of excess shares, and these excess shares will be transferred to an excess share trustee for the exclusive benefit of the charitable

beneficiaries named by our board of trustees. These limitations may have the effect of preventing a change in control or takeover of us by a third party, even if the change in control or takeover would be in the best interests of the holders of our securities.

In order to maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions. In order to maintain our REIT status, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements, even if the then-prevailing market conditions are not favorable for these borrowings. To qualify as a

REIT, we generally must distribute to our shareholders at least 90% of our net taxable income each year, excluding net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions made by us with respect to the calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income for that year, and any undistributed taxable income from prior periods. We intend to make distributions to our shareholders to comply with the 90% distribution requirement and to avoid the nondeductible excise tax and will rely for this purpose on distributions from our operating partnership. However, we may need short-term debt or long-term debt or proceeds from asset sales or sales of common shares to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. The inability of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status.

Complying with REIT requirements may force us to forego otherwise attractive opportunities or liquidate otherwise attractive investments. To qualify and maintain our status as a REIT, we must satisfy certain requirements with respect to the character of our assets. If we fail to comply with these requirements at the end of any quarter, we must correct such failure within 30 days after the end of the quarter (by, possibly, selling assets notwithstanding their prospects as an investment) to avoid losing our REIT status. If we fail to comply with these requirements at the end of any quarter, and the failure exceeds a minimum threshold, we may be able to preserve our REIT status if (a) the failure was due to reasonable cause and not to willful neglect, (b) we dispose of the assets causing the failure within six months after the last day of the quarter in which we identified the failure, (c) we file a schedule with the IRS describing each asset that caused the failure, and (d) we pay an additional tax of the greater of $50,000 or the product of the highest applicable tax rate multiplied by the net income generated on those assets. As a result, compliance with the REIT requirements may require us to liquidate or forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow. Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. Any of these taxes would decrease cash available for distribution to our shareholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through a taxable REIT subsidiary (“TRS”). We currently have one TRS, to which we lease our five Wyoming assisted living facilities.

Because of the ownership structure of our Wyoming assisted living portfolio, we face potential adverse effects from changes to the applicable tax laws. Under the Internal Revenue Code, REITs are not allowed to operate assisted living facilities directly or indirectly. Accordingly, we lease our five Wyoming assisted living facilities to our TRS. While the TRS structure allows the economic benefits of ownership to flow to us, the TRS is subject to tax on its income from the operations of the assisted living facilities at the federal and state level. In addition, the TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. If the tax laws applicable to a TRS are modified, we may be forced to modify the structure for owning these assisted living facilities, and such changes may adversely affect the cash flows from the facilities. In addition, the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, and we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such actions may prospectively or retroactively modify the tax treatment of the TRS and, therefore, may adversely affect our after-tax returns from our Wyoming assisted living facilities.

The lease of qualified health care properties to a taxable REIT subsidiary is subject to special requirements. We currently lease our Wyoming assisted living portfolio to a TRS, and we may in future lease other qualified health care properties we acquire from operators to a TRS (or a limited liability company of which the TRS is a member), which lessee will contract with such operators (or a related party) to operate the health care operations at these properties. The rents from this TRS lessee structure will be treated as qualifying rents from real property if (1) they are paid pursuant to an arms-length lease of a qualified health care property with a TRS and (2) the operator qualifies as an eligible independent contractor. If any of these conditions are not satisfied, then the rents will not be qualifying rents, which could have a material adverse affect on us and our qualification as a REIT.

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 governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or the market price of our common shares of beneficial interest.

The U.S. federal income tax laws governing REITs are complex. We intend to operate in a manner that will qualify us as a REIT under the U.S. federal income tax laws. The REIT qualification requirements are extremely complex, however, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so we can continue to qualify as a REIT. At any time, new laws, interpretations, or court decisions may change the federal tax laws or the U.S. federal income tax consequences of our qualification as a REIT.

Our board of trustees may make changes to our major policies without approval of the holders of our shares of beneficial interest. Our operating and financial policies, including policies relating to development and acquisition of real estate, financing, growth, operations, indebtedness, capitalization and distributions, are exclusively determined by our board of trustees. Our board of trustees may amend or revoke those policies, and other policies, without advance notice to, or the approval of, the holders of our shares of beneficial interest. Accordingly, our shareholders do not control these policies, and policy changes could adversely affect our financial condition and results of operations.

Risks Related to the Purchase of our Shares of Beneficial Interest

Our future growth depends, in part, on our ability to raise additional equity capital, which will have the effect of diluting the interests of the holders of our common shares. Our future growth depends upon, among other things, our ability to raise equity capital and issue limited partnership units of IRET Properties. The issuance of additional common shares, and of limited partnership units for which we subsequently issue common shares upon the redemption of the limited partnership units, will dilute the interests of the current holders of our common shares. Additionally, sales of substantial amounts of our common shares or preferred shares in the public market, or issuances of our common shares upon redemption of limited partnership units in our operating partnership, or the perception that such sales or issuances might occur, could adversely affect the market price of our common shares.

We may issue additional classes or series of our shares of beneficial interest with rights and preferences that are superior to the rights and preferences of our common shares. Without the approval of the holders of our common shares, our board of trustees may establish additional classes or series of our shares of beneficial interest, and such classes or series may have dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights and preferences that are superior to the rights of the holders of our common shares.

Payment of distributions on our shares of beneficial interest is not guaranteed. Our board of trustees must approve our payment of distributions and may elect at any time, or from time to time, and for an indefinite duration, to reduce the distributions payable on our shares of beneficial interest or to not pay distributions on our shares of beneficial interest. Our board of trustees may reduce distributions for a variety of reasons, including, but not limited to, the following:

- operating and financial results below expectations that cannot support the current distribution payment;
- unanticipated costs or cash requirements; or
- a conclusion that the payment of distributions would cause us to breach the terms of certain agreements or contracts, such as financial ratio covenants in our debt financing documents.

Our distributions are not eligible for the lower tax rate on dividends except in limited situations. The tax rate applicable to qualifying corporate dividends received by shareholders taxed at individual rates has been reduced to a maximum rate of 15%. This special tax rate is generally not applicable to distributions paid by a REIT, unless such distributions represent earnings on which the REIT itself had been taxed. As a result, distributions (other than capital gain distributions) paid by us to shareholders taxed at individual rates will generally be subject to the tax rates that are otherwise applicable to ordinary income which, currently, are as high as 35%. Although the earnings of a REIT that are distributed to its shareholders are still generally subject to less federal income taxation than earnings of a non-REIT C corporation that are distributed to its shareholders net of corporate-level income tax, this law change

may make an investment in our securities comparatively less attractive relative to an investment in the shares of other entities which pay dividends but are not formed as REITs.

Changes in market conditions could adversely affect the price of our securities. As is the case with any publicly-traded securities, certain factors outside of our control could influence the value of our common shares, Series A preferred shares and any other securities to be issued in the future. These conditions include, but are not limited to:

- market perception of REITs in general;
- market perception of REITs relative to other investment opportunities;
- market perception of our financial condition, performance, distributions and growth potential;
- prevailing interest rates;
- general economic and business conditions;
- government action or regulation, including changes in the tax laws; and
- relatively low trading volumes in securities of REITS.

Higher market interest rates may adversely affect the market price of our securities, and low trading volume on the NASDAQ Global Select Market may prevent the timely resale of our securities. One of the factors that investors may consider important in deciding whether to buy or sell shares of a REIT is the distribution with respect to such REIT's shares as a percentage of the price of those shares, relative to market interest rates. If market interest rates rise, prospective purchasers of REIT shares may expect a higher distribution rate in order to maintain their investment. Higher market interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to decline. In addition, although our common shares of beneficial interest are listed on the NASDAQ Global Select Market, the daily trading volume of our shares may be lower than the trading volume for other companies. The average daily trading volume for the period of May 1, 2010, through April 30, 2011, was 316,637 shares and the average monthly trading volume for the period of May 1, 2010 through April 30, 2011 was 6,649,368 shares. As a result of this trading volume, an owner of our common shares may encounter difficulty in selling our shares in a timely manner and may incur a substantial loss.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

IRET is organized as a REIT under Section 856-858 of the Code, and is in the business of owning, leasing, developing and acquiring real estate properties. These real estate investments are managed by our own employees and by third-party professional real estate management companies on our behalf.

Total Real Estate Rental Revenue

As of April 30, 2011, our real estate portfolio consisted of 78 multi-family residential properties and 176 commercial properties, consisting of commercial office, commercial medical, commercial industrial and commercial retail

properties, comprising 25.5%, 34.1%, 26.5%, 6.9%, and 7.0%, respectively, of our total real estate portfolio, based on the dollar amount of our original investment plus capital improvements, net of accumulated depreciation, through April 30, 2011. Gross annual rental revenue and percentages of total annual real estate rental revenue by property type for each of the three most recent fiscal years ended April 30, are as follows:

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Fiscal Year Ended April 30, (in thousands)	Multi-Family Residential Gross Revenue	%	Commercial Office Gross Revenue	%	Commercial Medical Gross Revenue	%	Commercial Industrial Gross Revenue	%	Commercial Retail Gross Revenue	%	All Segments Gross Revenue
2011	$ 66,838	28.2 %	$ 77,747	32.8 %	$ 66,048	27.8 %	$ 13,165	5.5 %	$ 13,609	5.7 %	$237,407
2010	$ 65,478	28.3 %	$ 82,079	35.4 %	$ 57,439	24.8 %	$ 13,095	5.7 %	$ 13,420	5.8 %	$231,511
2009	$ 65,632	28.7 %	$ 83,446	36.5 %	$ 52,547	23.0 %	$ 12,488	5.5 %	$ 14,403	6.3 %	$228,516

Average Effective Annual Rent

The table below sets out the average effective annual rent per square foot or unit for each of the last five fiscal years in each of our five segments:

	Average Effective Annual Rent per square foot or unit				
As of April 30	Multi-family Residential(1)	Commercial Office(2)	Commercial Medical(2)	Commercial Industrial(2)	Commercial Retail(2)
2011	$688	$ 13	$ 19	$ 4	$ 8
2010	$680	$ 13	$ 18	$ 4	$ 9
2009	$673	$ 13	$ 18	$ 4	$ 8
2008	$654	$ 13	$ 18	$ 3	$ 9
2007	$633	$ 14	$ 16	$ 4	$ 10

(1) Monthly rent per unit, calculated as annualized rental revenue divided by the occupied units as of April 30.

(2) Monthly rental rate per square foot calculated as annualized contractual base rental income, net of free rent, divided by the leased square feet as of April 30.

Physical Occupancy Rates

Physical occupancy levels on a stabilized property and all-property basis are shown below for each property type in each of the three most recent fiscal years ended April 30. Stabilized properties are those properties owned for the entirety of both periods being compared, and, in the case of development or re-development properties, which have achieved a target level of occupancy. In the case of multi-family residential properties, lease arrangements with individual tenants vary from month-to-month to one-year leases. Leases on commercial properties generally vary from month-to-month to 20 years.

Segments	Stabilized Properties Fiscal Year Ended April 30,			All Properties Fiscal Year Ended April 30,		
	2011	2010	2009	2011	2010	2009
Multi - Family Residential	92.8%	89.7%	93.6%	92.8%	89.7%	93.4%
Commercial Office	79.2%	83.9%	87.4%	79.7%	83.4%	87.5%
Commercial Medical	95.3%	95.7%	95.6%	96.0%	95.1%	95.0%
Commercial Industrial	89.8%	90.6%	96.9%	90.1%	90.7%	97.0%
Commercial Retail	82.6%	82.8%	84.7%	81.6%	82.8%	84.7%

Certain Lending Requirements

In certain instances, in connection with the acquisition of investment properties, the lender financing such properties may require, as a condition of the loan, that the properties be owned by a “single asset entity.” Accordingly, we have organized a number of wholly-owned subsidiary corporations, and IRET Properties has organized several limited partnerships, for the purpose of holding title in an entity that complies with such lending conditions. All financial statements of these subsidiaries are consolidated into our financial statements.

Management and Leasing of Our Real Estate Assets

We conduct our corporate operations from offices in Minot, North Dakota and Minneapolis, Minnesota. We also have property management offices in Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, and South Dakota. The day-to-day management of our properties is carried out by our own employees and in certain cases by third-party property management companies. In markets where the amount of rentable square footage we own does not justify self-management, when properties acquired have effective pre-existing property management in place, or when for other reasons particular properties are in our judgment not attractive candidates for self-management, we

utilize third-party professional management companies for day-to-day management. However, all decisions relating to purchase, sale, insurance coverage, capital improvements, approval of commercial leases, annual operating budgets and major renovations are made exclusively by our employees and implemented by the third-party management companies. The management and leasing of our multi-family residential properties previously was generally handled by locally-based, third-party management companies, but during fiscal year 2010 we began implementing our previously-announced plan to transfer the management of the majority of our commercial and multi-family residential properties to our own employees. As of April 30, 2011, we have under internal management 155 commercial properties and 74 multi-family residential properties. Our remaining 21 commercial and 4 multi-family residential properties are managed by third parties. We plan to continue evaluating our portfolio to identify other commercial properties and multi-family properties that may be candidates for management by our own employees. Generally, our management contracts provide for compensation ranging from 2.5% to 6.0% of gross rent collections and, typically, we may terminate these contracts in 60 days or less or upon the property manager's failure to meet certain specified financial performance goals. With respect to multi-tenant commercial properties, we rely almost exclusively on third-party brokers to locate potential tenants. As compensation, brokers may receive a commission that is generally calculated as a percentage of the net rent to be paid over the term of the lease. We believe that the broker commissions paid by us conform to market and industry standards, and accordingly are commercially reasonable.

Summary of Real Estate Investment Portfolio

As of April 30, (in thousands)	2011	%	2010	%	2009	%
Real estate investments						
Property owned	$1,770,798		$1,800,519		$1,729,585	
Less accumulated depreciation	(328,952)		(308,626)		(262,871)	
	$1,441,846	98.9%	$1,491,893	99.4%	$1,466,714	99.6%
Development in progress	9,693	0.7%	2,831	0.2%	0	0.0%
Unimproved land	6,550	0.4%	6,007	0.4%	5,701	0.4%
Mortgage loans receivable	156	0.0%	158	0.0%	160	0.0%
Total real estate investments	$1,458,245	100.0%	$1,500,889	100.0%	$1,472,575	100.0%

Summary of Individual Properties Owned as of April 30, 2011

The following table presents information regarding our 254 properties owned as of April 30, 2011. We own the following interests in real estate either through our wholly-owned subsidiaries or by ownership of a controlling interest in an entity owning the real estate. We account for these interests on a consolidated basis. Additional information is included in Schedule III to our financial statements included in the Annual Report on Form 10-K.

* = Real estate not owned in fee; all or a portion is leased under a ground or air rights lease.

Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011
MULTI-FAMILY RESIDENTIAL			
11th Street 3 Plex - Minot, ND	3	$ 69	100.0%
4th Street 4 Plex - Minot, ND	4	90	100.0%
Apartments on Main - Minot, ND	10	1,299	90.0%

Arbors - S Sioux City, NE	192	7,916	75.5	%
Boulder Court - Eagan, MN	115	8,954	93.9	%
Brookfield Village - Topeka, KS	160	8,274	98.8	%
Brooklyn Heights - Minot, ND	72	2,283	98.6	%
Campus Center - St. Cloud, MN	92	2,754	96.7	%
Campus Heights - St. Cloud, MN	49	770	53.1	%
Campus Knoll - St. Cloud, MN	71	1,836	91.5	%
Campus Plaza - St. Cloud, MN	24	391	100.0	%
Campus Side - St. Cloud, MN	48	784	83.3	%
Campus View - St. Cloud, MN	48	770	91.7	%

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Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011	
MULTI-FAMILY RESIDENTIAL - continued				
Candlelight - Fargo, ND	66	$ 1,886	84.8	%
Canyon Lake - Rapid City, SD	109	4,838	98.2	%
Castlerock - Billings, MT	166	7,086	94.6	%
Chateau - Minot, ND	64	3,643	98.4	%
Cimarron Hills - Omaha, NE	234	14,026	78.2	%
Colonial Villa - Burnsville, MN	240	16,715	80.0	%
Colton Heights - Minot, ND	18	1,074	94.4	%
Cornerstone - St. Cloud, MN	24	396	100.0	%
Cottonwood - Bismarck, ND	268	20,952	96.6	%
Country Meadows - Billings, MT	133	9,263	96.2	%
Crestview - Bismarck, ND	152	5,417	99.3	%
Crown - Rochester, MN	48	3,590	97.9	%
Crown Colony - Topeka, KS	220	12,298	94.1	%
East Park - Sioux Falls, SD	84	3,125	90.5	%
Evergreen - Isanti, MN	36	3,158	100.0	%
Fairmont - Minot, ND	12	374	100.0	%
Forest Park - Grand Forks, ND	269	12,036	96.7	%
Greenfield - Omaha, NE	96	5,101	99.0	%
Heritage Manor - Rochester, MN	182	9,270	90.1	%
Indian Hills - Sioux City, IA	120	5,901	92.5	%
Kirkwood Manor - Bismarck, ND	108	4,428	88.9	%
Lancaster - St. Cloud, MN	83	3,961	89.2	%
Landmark - Grand Forks, ND	90	2,527	97.8	%
Legacy - Grand Forks, ND	358	28,257	98.0	%
Mariposa - Topeka, KS	54	5,819	96.3	%
Monticello Village - Monticello, MN	60	4,601	93.3	%
North Pointe - Bismarck, ND	73	4,486	95.9	%
Northern Valley - Rochester, MN	16	732	81.3	%
Oakmont Estates - Sioux Falls, SD	80	5,594	98.8	%
Oakwood Estates - Sioux Falls, SD	160	7,027	75.6	%
Olympic Village - Billings, MT	274	13,400	98.2	%
Olympik Village - Rochester, MN	140	8,274	95.0	%
Oxbow Park - Sioux Falls, SD	120	5,833	98.3	%
Park Meadows - Waite Park, MN	360	14,422	90.6	%
Pebble Springs - Bismarck, ND	16	847	93.8	%
Pinehurst - Billings, MT	21	872	100.0	%
Pines - Minot, ND	16	342	100.0	%
Plaza - Minot, ND	71	15,607	100.0	%
Pointe West - Rapid City, SD	90	4,917	100.0	%
Prairie Winds - Sioux Falls, SD	48	2,351	95.8	%

Prairiewood Meadows - Fargo, ND	85	3,735	95.3	%
Quarry Ridge - Rochester, MN	156	15,044	96.2	%
Ridge Oaks - Sioux City, IA	132	6,186	97.7	%
Rimrock West - Billings, MT	78	5,122	97.4	%
Rocky Meadows - Billings, MT	98	7,187	87.8	%
Rum River - Isanti, MN	72	5,706	98.6	%
Sherwood - Topeka, KS	300	18,164	96.3	%
Sierra Vista - Sioux Falls, SD	44	2,344	88.6	%
South Pointe - Minot, ND	196	12,029	99.5	%
Southview - Minot, ND	24	920	91.7	%

Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011
MULTI-FAMILY RESIDENTIAL - continued			
Southwind - Grand Forks, ND	164	$ 7,516	91.5 %
Summit Park - Minot, ND	95	2,883	98.9 %
Sunset Trail - Rochester, MN	146	15,195	92.5 %
Sycamore Village - Sioux Falls, SD	48	1,842	79.2 %
Temple - Minot, ND	4	224	100.0 %
Terrace Heights - Minot, ND	16	423	100.0 %
Terrace On The Green - Moorhead, MN	116	3,343	87.1 %
The Meadows - Jamestown, ND	81	6,144	97.5 %
Thomasbrook - Lincoln, NE	264	13,599	98.1 %
University Park Place - St. Cloud, MN	35	563	88.6 %
Valley Park - Grand Forks, ND	168	6,689	80.4 %
Village Green - Rochester, MN	36	3,001	91.7 %
West Stonehill - Waite Park, MN	313	15,158	93.9 %
Westridge - Minot, ND	33	1,990	100.0 %
Westwood Park - Bismarck, ND	65	3,622	89.2 %
Winchester - Rochester, MN	115	7,592	87.8 %
Woodridge - Rochester, MN	110	7,958	93.6 %
TOTAL MULTI-FAMILY RESIDENTIAL	8,661	$ 484,815	92.8 %

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011
COMMERCIAL OFFICE			
1st Avenue Building - Minot, ND	4,427	$ 73	100.0 %
2030 Cliff Road - Eagan, MN	13,374	1,071	100.0 %
610 Business Center IV - Brooklyn Park, MN	78,190	9,403	100.0 %
7800 West Brown Deer Road - Milwaukee, WI	175,610	12,242	98.0 %
American Corporate Center - Mendota Heights, MN	138,959	21,177	94.2 %
Ameritrade - Omaha, NE	73,742	8,349	100.0 %
Benton Business Park - Sauk Rapids, MN	30,464	1,527	88.1 %
Bismarck 715 East Broadway - Bismarck, ND	22,187	2,751	100.0 %
Bloomington Business Plaza - Bloomington, MN	121,064	8,155	47.5 %
Brenwood - Minnetonka, MN	176,800	17,090	62.4 %
Brook Valley I - La Vista, NE	30,000	2,099	50.1 %
Burnsville Bluffs II - Burnsville, MN	45,019	3,357	100.0 %
Cold Spring Center - St. Cloud, MN	77,634	9,303	96.4 %
Corporate Center West - Omaha, NE	141,724	21,692	100.0 %

Crosstown Centre - Eden Prairie, MN	181,224	18,688	51.8	%
Dewey Hill Business Center - Edina, MN	73,338	5,413	35.7	%
Farnam Executive Center - Omaha, NE	94,832	13,592	100.0	%
Flagship - Eden Prairie, MN	138,825	24,359	95.6	%
Gateway Corporate Center - Woodbury, MN	59,827	9,490	0.0	%
Golden Hills Office Center - Golden Valley, MN	190,758	24,767	92.3	%
Great Plains - Fargo, ND	122,040	15,376	100.0	%
Highlands Ranch I - Highlands Ranch, CO	71,430	11,058	100.0	%
Highlands Ranch II - Highlands Ranch, CO	81,173	11,982	57.7	%
Interlachen Corporate Center - Edina, MN	105,084	17,598	35.7	%
Intertech Building - Fenton, MO	64,749	6,173	88.0	%
IRET Corporate Plaza - Minot, ND	50,610	9,266	100.0	%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011
COMMERCIAL OFFICE - continued			
Mendota Office Center I - Mendota Heights, MN	59,852	$ 7,371	94.1 %
Mendota Office Center II - Mendota Heights, MN	88,398	12,667	85.1 %
Mendota Office Center III - Mendota Heights, MN	60,776	6,957	65.3 %
Mendota Office Center IV - Mendota Heights, MN	72,231	9,283	100.0 %
Minnesota National Bank - Duluth, MN	18,869	1,745	47.7 %
Minot 2505 16th Street SW - Minot, ND	15,000	2,022	100.0 %
Miracle Hills One - Omaha, NE	83,448	13,349	94.9 %
Nicollett VII - Burnsville, MN	118,125	7,500	60.9 %
Northgate I - Maple Grove, MN	79,297	8,252	100.0 %
Northgate II - Maple Grove, MN	26,000	2,447	100.0 %
Northpark Corporate Center - Arden Hills, MN	146,087	17,722	26.6 %
Omaha 10802 Farnam Dr - Omaha, NE	58,574	6,836	98.6 %
Pacific Hills - Omaha, NE	143,075	17,457	79.3 %
Pillsbury Business Center - Bloomington, MN	42,929	1,960	52.4 %
Plaza VII - Boise, ID	28,994	3,772	32.9 %
Plymouth 5095 Nathan Lane - Plymouth, MN	20,528	1,897	100.0 %
Plymouth I - Plymouth, MN	26,186	1,690	100.0 %
Plymouth II - Plymouth, MN	26,186	1,672	100.0 %
Plymouth III - Plymouth, MN	26,186	2,352	100.0 %
Plymouth IV & V - Plymouth, MN	126,930	15,346	92.1 %
Prairie Oak Business Center - Eden Prairie, MN	36,421	6,068	75.8 %
Rapid City 900 Concourse Drive - Rapid City, SD	75,815	7,161	100.0 %
Riverport - Maryland Heights, MO	122,567	20,899	100.0 %
Southeast Tech Center - Eagan, MN	58,300	6,408	30.4 %
Spring Valley IV - Omaha, NE	15,700	1,154	100.0 %
Spring Valley V - Omaha, NE	24,171	1,586	100.0 %
Spring Valley X - Omaha, NE	24,000	1,236	70.0 %
Spring Valley XI - Omaha, NE	24,000	1,272	100.0 %
Superior Office Building - Duluth, MN	20,000	2,538	100.0 %
TCA Building - Eagan, MN	103,640	10,005	85.2 %
Three Paramount Plaza - Bloomington, MN	75,526	9,235	73.3 %
Thresher Square - Minneapolis, MN	117,144	12,798	36.2 %
Timberlands - Leawood, KS	90,388	15,252	65.1 %
UHC Office - International Falls, MN	30,000	2,565	100.0 %
US Bank Financial Center - Bloomington, MN	153,311	17,047	92.6 %
Viromed - Eden Prairie, MN	48,700	4,864	100.0 %
Wells Fargo Center - St Cloud, MN	86,192	10,325	96.0 %
West River Business Park - Waite Park, MN	24,075	1,477	69.2 %
Westgate - Boise, ID	103,342	13,529	100.0 %
Whitewater Plaza - Minnetonka, MN	61,138	6,106	69.4 %
Wirth Corporate Center - Golden Valley, MN	74,568	9,497	97.3 %
Woodlands Plaza IV - Maryland Heights, MO	61,820	6,121	80.5 %

TOTAL COMMERCIAL OFFICE	5,061,573	$ 595,491	79.7	%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011	
COMMERCIAL MEDICAL				
2800 Medical Building - Minneapolis, MN	53,750	$ 9,488	94.2	%
2828 Chicago Avenue - Minneapolis, MN	56,239	17,673	100.0	%
Airport Medical - Bloomington, MN*	24,218	4,678	100.0	%
Barry Pointe Office Park - Kansas City, MO	18,502	2,854	92.6	%
Billings 2300 Grant Road - Billings, MT	14,705	1,865	100.0	%
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN	53,646	8,636	83.9	%
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN	36,199	5,866	100.0	%
Casper 1930 E 12th Street (Park Place) - Casper, WY	65,160	6,172	100.0	%
Casper 3955 E 12th Street (Meadow Wind) - Casper, WY	35,629	6,217	100.0	%
Cheyenne 4010 N College Drive (Aspen Wind) - Cheyenne, WY	47,509	10,495	100.0	%
Cheyenne 4606 N College Drive (Sierra Hills) - Cheyenne, WY	54,072	8,150	100.0	%
Denfeld Clinic - Duluth, MN	20,512	3,099	100.0	%
Eagan 1440 Duckwood Medical - Eagan, MN	17,640	2,587	100.0	%
Edgewood Vista - Belgrade, MT	5,192	814	100.0	%
Edgewood Vista - Billings, MT	11,800	1,882	100.0	%
Edgewood Vista - Bismarck, ND	74,112	9,740	100.0	%
Edgewood Vista - Brainerd, MN	82,535	9,620	100.0	%
Edgewood Vista - Columbus, NE	5,194	867	100.0	%
Edgewood Vista - East Grand Forks, MN	18,488	1,642	100.0	%
Edgewood Vista - Fargo, ND	167,391	21,645	100.0	%
Edgewood Vista - Fremont, NE	6,042	588	100.0	%
Edgewood Vista - Grand Island, NE	5,185	806	100.0	%
Edgewood Vista - Hastings, NE	6,042	607	100.0	%
Edgewood Vista - Hermantown I, MN	119,349	11,660	100.0	%
Edgewood Vista - Hermantown II, MN	160,485	11,269	100.0	%
Edgewood Vista - Kalispell, MT	5,895	624	100.0	%
Edgewood Vista - Minot, ND	108,503	12,636	100.0	%
Edgewood Vista - Missoula, MT	10,150	999	100.0	%
Edgewood Vista - Norfolk, NE	5,135	764	100.0	%
Edgewood Vista - Omaha, NE	6,042	676	100.0	%
Edgewood Vista - Sioux Falls, SD	11,800	1,288	100.0	%
Edgewood Vista - Spearfish, SD	84,126	8,934	100.0	%
Edgewood Vista - Virginia, MN	147,183	12,145	100.0	%
Edina 6363 France Medical - Edina, MN*	70,934	12,695	50.6	%
Edina 6405 France Medical - Edina, MN*	55,478	12,201	100.0	%

Edina 6517 Drew Avenue - Edina, MN	12,140	1,537	100.0	%
Edina 6525 France SMC II - Edina, MN	67,409	14,754	100.0	%
Edina 6545 France SMC I - Edina MN*	227,626	45,243	92.3	%
Fresenius - Duluth, MN	9,052	1,572	100.0	%
Garden View - St. Paul, MN*	43,404	7,892	100.0	%
Gateway Clinic - Sandstone, MN*	12,444	1,766	100.0	%
Healtheast St John & Woodwinds - Maplewood & Woodbury, MN	114,316	21,601	100.0	%
High Pointe Health Campus - Lake Elmo, MN	60,294	13,211	70.5	%
Laramie 1072 N 22nd Street (Spring Wind) - Laramie, WY	35,629	7,038	100.0	%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011	
COMMERCIAL MEDICAL – continued				
Mariner Clinic - Superior, WI*	28,928	$ 3,802	100.0	%
Minneapolis 701 25th Avenue Medical - Minneapolis, MN*	57,212	7,873	96.6	%
Missoula 3050 Great Northern - Missoula, MT	14,640	1,971	100.0	%
Nebraska Orthopedic Hospital - Omaha, NE*	61,758	21,798	100.0	%
Park Dental - Brooklyn Center, MN	9,998	2,952	100.0	%
Pavilion I - Duluth, MN*	45,081	10,174	100.0	%
Pavilion II - Duluth, MN	73,000	19,327	100.0	%
Ritchie Medical Plaza - St Paul, MN	52,116	10,409	58.1	%
Sartell 2000 23rd Street South - Sartell, MN*	59,760	12,693	95.7	%
St Michael Clinic - St Michael, MN	10,796	2,851	100.0	%
Stevens Point - Stevens Point, WI	47,950	14,825	100.0	%
Wells Clinic - Hibbing, MN	18,810	2,660	100.0	%
TOTAL COMMERCIAL MEDICAL	2,727,205	$ 447,831	96.0	%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011	
COMMERCIAL INDUSTRIAL				
API Building - Duluth, MN	35,000	$ 1,723	100.0	%
Bloomington 2000 W 94th Street - Bloomington, MN	100,850	7,223	100.0	%
Bodycote Industrial Building - Eden Prairie, MN	41,880	2,152	100.0	%
Brooklyn Park 7401 Boone Avenue - Brooklyn Park, MN	357,111	14,791	77.5	%
Cedar Lake Business Center - St. Louis Park, MN	50,400	3,755	95.2	%
Clive 2075 NW 94th Street - Clive, IA	42,510	3,067	100.0	%
Dixon Avenue Industrial Park - Des Moines, IA	604,886	13,299	79.7	%
Eagan 2785 & 2795 Highway 55 - Eagan, MN	198,600	5,628	74.3	%
Fargo 1320 45th Street N - Fargo, ND	42,244	4,159	100.0	%
Lexington Commerce Center - Eagan, MN	90,260	6,638	79.2	%
Lighthouse - Duluth, MN	59,292	1,885	84.6	%
Metal Improvement Company - New Brighton, MN	49,620	2,507	100.0	%
Minnetonka 13600 County Road 62 - Minnetonka, MN	69,984	3,702	100.0	%
Roseville 2929 Long Lake Road - Roseville, MN	172,057	10,721	100.0	%
Stone Container - Fargo, ND	195,075	7,141	100.0	%
Stone Container - Roseville, MN	229,072	8,282	100.0	%
Urbandale 3900 106th Street - Urbandale, IA	528,353	14,262	98.1	%

Winsted Industrial Building - Winsted, MN	41,685		1,049	100.0 %
Woodbury 1865 Woodlane - Woodbury, MN	69,600		5,618	100.0 %
TOTAL COMMERCIAL INDUSTRIAL	2,978,479	$	117,602	90.1 %

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Physical Occupancy as of April 30, 2011
COMMERCIAL RETAIL			
17 South Main - Minot, ND	2,454	$ 287	100.0 %
Anoka Strip Center - Anoka, MN	10,625	750	37.6 %
Burnsville 1 Strip Center - Burnsville, MN	8,526	1,189	100.0 %
Burnsville 2 Strip Center - Burnsville, MN	8,400	974	62.5 %
Champlin South Pond - Champlin, MN	26,020	3,593	77.2 %
Chan West Village - Chanhassen, MN	137,572	21,434	93.3 %
Dakota West Plaza - Minot , ND	16,921	613	94.9 %
Duluth Denfeld Retail - Duluth, MN	37,770	5,037	69.2 %
Duluth NAPA - Duluth, MN	15,582	1,934	100.0 %
Eagan Community - Eagan, MN	23,187	3,148	82.5 %
East Grand Station - East Grand Forks, MN	12,556	1,699	61.6 %
Fargo Express Community - Fargo, ND	34,226	1,920	88.3 %
Forest Lake Auto - Forest Lake, MN	6,836	509	100.0 %
Forest Lake Westlake Center - Forest Lake, MN	100,570	8,208	100.0 %
Grand Forks Carmike - Grand Forks, ND	28,528	2,546	100.0 %
Grand Forks Medpark Mall - Grand Forks, ND	59,117	5,707	92.8 %
Jamestown Buffalo Mall - Jamestown, ND	213,271	6,232	82.9 %
Jamestown Business Center - Jamestown, ND	100,249	2,632	88.9 %
Kalispell Retail Center - Kalispell, MT	52,000	3,472	100.0 %
Kentwood Thomasville Furniture - Kentwood, MI	16,080	1,416	0.0 %
Lakeville Strip Center - Lakeville, MN	9,488	2,015	87.4 %
Livingston Pamida - Livingston, MT	41,200	1,800	100.0 %
Minot 1400 31st Ave - Minot, ND	47,709	7,444	53.5 %
Minot Arrowhead - Minot, ND	78,095	7,179	100.0 %
Minot Plaza - Minot, ND	10,843	632	79.2 %
Monticello C Store - Monticello, MN	3,575	872	100.0 %
Omaha Barnes & Noble - Omaha, NE	26,985	3,699	100.0 %
Pine City C-Store - Pine City, MN	4,800	452	100.0 %
Pine City Evergreen Square - Pine City, MN	63,225	3,382	75.2 %
Rochester Maplewood Square - Rochester, MN	118,398	12,761	67.6 %
St. Cloud Westgate - St. Cloud, MN	104,928	7,386	57.4 %
Weston Retail - Weston, WI	25,644	1,681	0.0 %
Weston Walgreens - Weston, WI	14,820	2,456	100.0 %
TOTAL COMMERCIAL RETAIL	1,460,200	$ 125,059	81.6 %
SUBTOTAL		$ 1,770,798	

Property Name and Location		(in thousands) Investment (initial cost plus improvements)
UNIMPROVED LAND		
Bismarck 2130 S 12th St - Bismarck, ND		$589
Bismarck 700 E Main - Bismarck, ND		870
Eagan Unimproved Land - Eagan, MN		423
Georgetown Square Unimproved Land - Grand Chute, WI		1,860
IRET Corporate Plaza Retention Pond - Minot, ND		162
Kalispell Unimproved Land - Kalispell, MT		1,423
Monticello Unimproved Land - Monticello, MN		117
River Falls Unimproved Land - River Falls, WI		181
Urbandale Unimproved Land - Urbandale, IA		113
Weston Unimproved Land - Weston, WI		812
TOTAL UNIMPROVED LAND		$6,550
DEVELOPMENT IN PROGRESS		
1st Avenue Building - Minot, ND		$280
Jamestown Buffalo Mall Theater - Jamestown, ND		1,533
Georgetown Square Development - Grand Chute, WI		1,775
IRET Corporate Plaza 2 - Minot, ND		4,751
Quarry Ridge 2 - Rochester, MN		1,354
TOTAL DEVELOPMENT IN PROGRESS		$9,693
TOTAL UNITS – RESIDENTIAL SEGMENT	8,661	
TOTAL SQUARE FOOTAGE – COMMERCIAL SEGMENTS	12,227,457	
TOTAL INVESTMENTS		$1,787,041

Mortgages Payable and Line of Credit

As of April 30, 2011, individual first mortgage loans on the above properties totaled $974.0 million. Of the $993.8 million total of mortgage indebtedness on April 30, 2011, $1.5 million, or 0.2%, is represented by variable rate mortgages on which the future interest rate will vary based on changes in the interest rate index for each respective loan. Principal payments due on our mortgage indebtedness are as follows:

Year Ended April 30,	(in thousands) Mortgage Principal
2012	$ 58,741
2013	50,092
2014	65,354
2015	92,548
2016	77,771

Thereafter		649,297
Total	$	993,803

As of April 30, 2011, the Company has a multi-bank line of credit with First International Bank & Trust as lead bank. This line of credit has lending commitments of $50.0 million as of April 30, 2011, with a minimum outstanding principal balance requirement of $10.0 million. The Company had $30.0 million in borrowings outstanding under the line as of April 30, 2011. The facility has a maturity date of August 11, 2013, and is secured by mortgages on various properties owned by IRET Properties and its subsidiaries. The interest rate on borrowings under the facility is Wall Street Journal Prime Rate +1.0%, with a floor of 5.65% and a cap of 8.65% during the initial three-year term of the facility; interest-only payments are due monthly based on the total amount of advances outstanding. The line of credit may be prepaid at par at any time. The facility includes covenants and restrictions regarding minimum debt-service ratios to be maintained in the aggregate and individually on properties in the collateral pool, and IRET Properties is also required to maintain minimum depository account(s) totaling $6.0 million with the lead bank, of which $1.5 million is to be held in a non-interest bearing account.

Future Minimum Lease Receipts

The future minimum lease receipts to be received under leases for commercial properties in place as of April 30, 2011, assuming that no options to renew or buy out the leases are exercised, are as follows:

Year Ended April 30,	(in thousands) Lease Payments
2012	$ 111,017
2013	100,265
2014	88,497
2015	75,722
2016	64,316
Thereafter	302,096
Total	$ 741,913

Capital Expenditures

Each year we review the physical condition of each property we own. In order for our properties to remain competitive, attract new tenants, and retain existing tenants, we plan for a reasonable amount of capital improvements. For the year ended April 30, 2011, we spent approximately $23.2 million on capital improvements, tenant improvements and other capital expenditures.

Contracts or Options to Purchase

We have granted options to purchase certain of our properties to tenants in these properties, under lease agreements with the tenant. In general, these options grant the tenant the right to purchase the property at the greater of such property's appraised value or an annual compounded increase of a specified percentage of the initial cost to us. As of April 30, 2011, our properties subject to purchase options, the cost, plus improvements, of each such property and its gross rental revenue are as follows:

	(in thousands)			
		Gross Rental Revenue		
Property	Investment Cost	2011	2010	2009
Billings 2300 Grant Road - Billings, MT	$ 2,522	$ 226	$ 0	$ 0
Edgewood Vista-Belgrade, MT	2,135	191	196	196
Edgewood Vista-Billings, MT	4,274	384	396	396
Edgewood Vista-Bismarck, ND	10,903	1,031	1,008	1,008
Edgewood Vista-Brainerd, MN	10,667	1,010	988	988
Edgewood Vista-Columbus, NE	1,481	131	136	136
Edgewood Vista-East Grand Forks, MN	4,996	475	465	464
Edgewood Vista-Fargo, ND	26,087	2,415	2,387	2,065
Edgewood Vista-Fremont, NE	588	72	72	72
Edgewood Vista-Grand Island, NE	1,431	129	132	132
Edgewood Vista-Hastings, NE	606	76	76	76
Edgewood Vista-Hermantown I, MN	21,510	2,404	2,359	2,040
Edgewood Vista-Hermantown II, MN	12,359	1,170	1,144	1,144

Edgewood Vista-Kalispell, MT	624	76	76	76
Edgewood Vista-Missoula, MT	999	96	96	96
Edgewood Vista-Norfolk, NE	1,332	122	124	124
Edgewood Vista-Omaha, NE	676	80	80	80
Edgewood Vista-Sioux Falls, SD	3,353	312	312	312
Edgewood Vista-Spearfish, SD	9,569	642	628	628
Edgewood Vista-Virginia, MN	17,132	2,054	2,008	1,736
Fargo 1320 45th Street N - Fargo, ND	4,160	333	0	0
Great Plains - Fargo, ND	15,375	1,876	1,876	1,876
Healtheast St John & Woodwinds - Maplewood & Woodbury, MN	21,601	2,152	2,152	2,052

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	(in thousands)			
		Gross Rental Revenue		
continued	Investment Cost	2011	2010	2009
Minnesota National Bank - Duluth, MN	$ 1,745	$ 105	$ 164	$ 211
Missoula 3050 Great Northern - Missoula, MT	2,723	243	0	0
Sartell 2000 23rd Street South - Sartell, MN	12,693	1,209	1,173	1,292
St. Michael Clinic - St. Michael, MN	2,851	244	241	240
Stevens Point - Stevens Point, WI	15,020	1,104	1,356	1,356
Total	$ 209,412	$ 20,362	$ 19,645	$ 18,796

Properties by State

The following table presents, as of April 30, 2011, the total real estate investment amount, net of accumulated depreciation, by state of each of the five major segments of properties owned by us - multi-family residential, commercial office, commercial medical, commercial industrial and commercial retail:

	(in thousands)						
State	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments	% of All Segments
Minnesota	$ 120,170	$ 295,331	$ 247,032	$ 64,354	$ 62,558	$ 789,445	54.8 %
North Dakota	112,696	24,542	40,961	8,950	27,870	215,019	14.9 %
Nebraska	32,545	78,528	21,928	0	2,498	135,499	9.4 %
Kansas	34,041	13,493	0	0	0	47,534	3.3 %
Montana	31,041	0	7,455	0	4,346	42,842	3.0 %
South Dakota	26,779	5,323	9,305	0	0	41,407	2.9 %
Wyoming	0	0	36,850	0	0	36,850	2.5 %
Iowa	9,825	0	0	26,585	0	36,410	2.5 %
Missouri	0	29,981	2,594	0	0	32,575	2.3 %
Wisconsin	0	9,740	16,339	0	3,515	29,594	2.0 %
Colorado	0	20,057	0	0	0	20,057	1.4 %
All Other States*	0	13,846	0	0	768	14,614	1.0 %
Total	$ 367,097	$ 490,841	$ 382,464	$ 99,889	$ 101,555	$ 1,441,846	100.0 %

* Idaho and Michigan

Item 3. Legal Proceedings

In the ordinary course of our operations, we become involved in litigation. At this time, we know of no material pending or threatened legal proceedings, or other proceedings contemplated by governmental authorities, that would have a material impact upon us.

Item 4. (Removed and Reserved)

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Share and Distribution Data

Our common shares of beneficial interest trade on the NASDAQ Global Select Market under the symbol IRET (formerly IRETS; we changed our symbol to IRET on July 1, 2008). On June 30, 2011, the last reported sales price per share of our common shares on the NASDAQ was $8.66. The following table sets forth the quarterly high and low closing sales prices per share of our common shares as reported on the NASDAQ Global Select Market, and the distributions per common share and limited partnership unit declared with respect to each period.

Quarter Ended	High	Low	Distributions Declared (per share and unit)
Fiscal Year 2011			
April 30, 2011	$9.54	$8.92	$ 0.1715
January 31, 2011	9.26	8.74	0.1715
October 31, 2010	8.90	7.97	0.1715
July 31, 2010	9.20	8.25	0.1715

Quarter Ended	High	Low	Distributions Declared (per share and unit)
Fiscal Year 2010			
April 30, 2010	$9.37	$8.31	$ 0.1715
January 31, 2010	9.40	8.25	0.1715
October 31, 2009	9.75	8.19	0.1710
July 31, 2009	9.47	8.30	0.1705

It is IRET's policy to pay quarterly distributions to our common shareholders and unitholders, at the discretion of our Board of Trustees, based on our funds from operations, financial condition and capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as our Board of Trustees deems relevant. Since July 1, 1971, IRET has paid quarterly cash distributions in the months of January, April, July and October.

Shareholders

As of June 30, 2011, the Company had 3,984 common shareholders of record, and 80,771,119 common shares of beneficial interest (plus 19,964,052 limited partnership units potentially convertible into 19,964,052 common shares) were outstanding.

Unregistered Sales of Shares

Sales of Unregistered Securities. During the fiscal years ended April 30, 2011, 2010 and 2009, respectively, we issued an aggregate of 221,573, and 431,737 and 338,286 unregistered common shares to holders of limited partnership units of IRET Properties upon redemption and conversion of an aggregate of 221,573, and 431,737 and 338,286 limited partnership units of IRET Properties on a one-for-one basis. All such issuances of our common shares were exempt from registration as private placements under Section 4(2) of the Securities Act, including Regulation D promulgated thereunder. We have registered the re-sale of such common shares under the Securities Act.

Issuer Purchases of Equity Securities. The Company did not repurchase any of its equity securities during fiscal year 2011, except for repurchases of nominal amounts of fractional shares, at shareholder request.

Comparative Stock Performance

The information contained in this Comparative Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Set forth below is a graph that compares, for the five fiscal years commencing May 1, 2006, and ending April 30, 2011, the cumulative total returns for the Company's common shares with the comparable cumulative total return of two indexes, the Standard & Poor's 500 Index ("S&P 500"), and the FTSE NAREIT Equity REITs Index, which is an index prepared by the FTSE Group for the National Association of Real Estate Investment Trusts, which includes all tax-qualified equity REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ Market.

The performance graph assumes that at the close of trading on April 30, 2006, the last trading day of fiscal year 2006, $100 was invested in the Company's common shares and in each of the indexes. The comparison assumes the reinvestment of all distributions. Cumulative total shareholder returns for the Company's common shares, the S&P 500 and the FTSE NAREIT Equity REITs Index are based on the Company's fiscal year ending April 30.

	FY06	FY07	FY08	FY09	FY10	FY11
Investors Real Estate Trust	100.00	119.09	123.32	119.52	121.66	141.66
S&P 500	100.00	115.24	109.85	71.06	98.66	115.65
FTSE NAREIT Equity REITs	100.00	126.46	110.64	57.29	96.65	118.16

Source: SNL Financial LC

Item 6. Selected Financial Data

Set forth below is selected financial data on a historical basis for the Company for the five most recent fiscal years ended April 30. This information should be read in conjunction with the consolidated financial statements and notes appearing elsewhere in this Annual Report on Form 10-K.

	(in thousands, except per share data)				
	2011	2010	2009	2008	2007
Consolidated Income Statement Data					
Revenue	$237,407	$231,511	$228,516	$209,674	$186,666
Gain on sale of real estate, land, and other investments	$19,365	$68	$54	$556	$4,602
Income from continuing operations	$4,480	$5,215	$10,447	$14,516	$14,392
Income (loss) from discontinued operations	$19,871	$(630)	$(266)	$1,113	$3,991
Net income	$24,351	$4,585	$10,713	$15,629	$18,383
Net income attributable to noncontrolling interests – Operating Partnership	$(4,449)	$(562)	$(2,227)	$(3,677)	$(4,299)
Net income attributable to Investors Real Estate Trust	$20,082	$4,001	$8,526	$12,088	$14,110
Consolidated Balance Sheet Data					
Total real estate investments	$1,458,245	$1,500,889	$1,472,575	$1,456,178	$1,316,534
Total assets	$1,615,363	$1,660,930	$1,605,091	$1,618,026	$1,435,389
Mortgages payable	$993,803	$1,057,619	$1,070,158	$1,063,858	$951,139
Revolving lines of credit	$30,000	$6,550	$5,500	$0	$0
Total Investors Real Estate Trust shareholders' equity	$411,690	$409,523	$333,009	$344,074	$284,810
Consolidated Per Common Share Data (basic and diluted)					
Income from continuing operations - Investors Real Estate Trust	$.02	$.04	$.10	$.17	$.18
Income (loss) from discontinued operations - Investors Real Estate Trust	$.20	$(.01)	$.01	$.01	$.06
Net income	$.22	$.03	$.11	$.18	$.24
Distributions	$.69	$.68	$.68	$.67	$.66

CALENDAR YEAR	2010	2009	2008	2007	2006
Tax status of distributions					
Capital gain	0.00%	0.09%	0.00%	1.49%	1.22%
Ordinary income	28.53%	39.17%	53.43%	51.69%	42.01%
Return of capital	71.47%	60.74%	46.57%	46.82%	56.77%

For the fiscal year ended April 30, 2011, IRET recognized approximately $25.7 million of net capital gain for federal income tax purposes. IRET designates the entire $25.7 million of net capital gain as capital gain dividends.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information is provided in connection with, and should be read in conjunction with, the consolidated financial statements included in this Annual Report on Form 10-K. We operate on a fiscal year ending on April 30. The following discussion and analysis is for the fiscal year ended April 30, 2011.

Overview

We are a self-advised equity real estate investment trust engaged in owning and operating income-producing real properties. Our investments include multi-family residential properties and commercial properties located primarily in the upper Midwest states of Minnesota and North Dakota. Our properties are diversified in property type and location. As of April 30, 2011, our real estate portfolio consisted of 78 multi-family residential properties containing 8,661 apartment units and having a total real estate investment amount net of accumulated depreciation of $367.1 million, and 176 commercial properties containing approximately 12.2 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $1.1 billion. Our commercial properties consist of:

- 68 commercial office properties containing approximately 5.1 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $490.8 million;

- 56 commercial medical properties (including senior housing) containing approximately 2.7 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $382.5 million;

- 19 commercial industrial properties containing approximately 3.0 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $99.9 million; and

- 33 commercial retail properties containing approximately 1.4 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $101.5 million.

Our primary source of income and cash is rents associated with multi-family residential and commercial leases. Our business objective is to increase shareholder value by employing a disciplined investment strategy. This strategy is focused on growing assets in desired geographical markets, achieving diversification by property type and location, and adhering to targeted returns in acquiring properties.

Total revenues of IRET Properties, our operating partnership, increased by $5.9 million to $237.4 million in fiscal year 2011, compared to $231.5 million in fiscal year 2010. This increase was primarily attributable to the addition of new real estate properties. We estimate that rent concessions offered to tenants during the twelve months ended April 30, 2011 lowered our operating revenues by approximately $4.5 million, compared to $2.4 million for fiscal year 2010. Expenses increased during fiscal year 2011, with utilities, maintenance, real estate taxes, and property management expense all increasing from year-earlier levels.

On an all-property basis, physical occupancy levels in our total commercial property segments decreased to 86.1% in fiscal year 2011 from 87.7% in fiscal year 2010. Physical occupancy rates in our commercial medical segment increased; physical occupancy in our commercial office, commercial industrial and commercial retail segments decreased. Physical occupancy in our multi-family residential segment increased to 92.8% in fiscal year 2011 on an all-property basis, from 89.7% in fiscal year 2010.

As our physical occupancy levels demonstrate, we continued to experience a challenging market environment in our commercial office, industrial and retail segments. While many of our markets appear to be emerging from recession, growth remains sluggish and unemployment high, and we continue to find it challenging to lease vacant space. We expect these leasing challenges to continue during fiscal year 2012, with correspondingly flat or modest growth in rental revenues and net operating income. Our commercial medical segment continued to show strengthening results, and remains the best performing segment in our overall commercial portfolio, with strong real estate revenue and net operating income results.

Our multi-family residential properties have shown steady improvement in occupancy and real estate revenue over the past several quarters. We believe we are seeing positive results from our internal property management initiative, in terms of our ability to focus on increasing net operating income by improving occupancy, maintaining control of expenses and establishing direct relationships with our residents. In some markets we are experiencing sufficient improvement in market fundamentals (i.e., a better balance of supply of available units with demand for those units) to permit us to raise rents. While we expect to see continued favorable results in our multi-family segment in fiscal year 2012, our ability to maintain occupancy levels and selectively raise rents is dependent on continued economic recovery and employment growth, and the strength and sustainability of a recovery is currently still uncertain.

While we plan to actively pursue property acquisitions and development projects throughout fiscal year 2012, which may provide future revenue and net operating income growth, in our experience potential acquisitions are fully priced, based on their current income, and accordingly we continue to find it challenging to identify in our markets accretive acquisitions that are attractively priced.

During fiscal year 2011, our financing and refinancing efforts continued to make a solid contribution to our net income. Our mortgage interest expense decreased approximately 4.0% over the year-earlier period, which translated into a reduction of approximately $2.6 million in mortgage interest expense. Our overall weighted average interest rate on all outstanding mortgage debt (excluding our multi-bank line of credit and new loans for our Jamestown Mall and Trinity Hospital build-to-suit development projects, which are financed with Recovery Zone Facility Revenue Bonds) was 5.92% as of April 30, 2011, compared to 6.17% as of April 30, 2010. In fiscal year 2012, we expect that capital accessed through cash-out refinancings of existing mortgage debt will be at lower levels than in

fiscal year 2011, due to fewer mortgage loans scheduled for refinancing. We continue to expect, however, based on recent experience, that we will be able successfully to refinance, on terms comparable to existing financings, those mortgage loans that are scheduled for refinancing.

Additional information and more detailed discussions of our fiscal year 2011 operating results are found in the following sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies

Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements included in this Annual Report on Form 10-K.

Real Estate. Real estate is carried at cost, net of accumulated depreciation, less an adjustment for impairment, if any. Depreciation requires an estimate by management of the useful life of each property as well as an allocation of the costs associated with a property to its various components. As described further below, the process of allocating property costs to its components involves a considerable amount of subjective judgments to be made by Company management. If the Company does not allocate these costs appropriately or incorrectly estimates the useful lives of its real estate, depreciation expense may be misstated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Company uses a 20-40 year estimated life for buildings and improvements and a 5-12 year estimated life for furniture, fixtures and equipment. Maintenance and repairs are charged to operations as incurred. Renovations and improvements that improve and/or extend the useful life of the asset are capitalized over their estimated useful life, generally five to ten years.

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets (including land, buildings and personal property), which is determined by valuing the property as if it were vacant, and considers whether there were significant intangible assets acquired (for example, above-and below-market leases, the value of acquired in-place leases, and tenant relationships) and acquired liabilities, and allocates the purchase price based on these assessments. The as-if-vacant value is allocated to land, buildings, and personal property based on management's determination of the relative fair value of these assets. The estimated fair value of the property is the amount that would be recoverable upon the disposition of the property. Techniques used to estimate fair value include discounted cash flow analysis and reference to recent sales of comparable properties. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. Land value is assigned based on the purchase price if land is acquired separately, or based on estimated market value if acquired in a merger or in a portfolio acquisition.

Above-market and below-market in-place lease values for acquired properties are estimated based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The Company performs this analysis on a lease-by-lease basis. The capitalized above-market or below-market intangible is amortized to rental income over the remaining non-cancelable terms of the respective leases.

Other intangible assets acquired include amounts for in-place lease values that are based upon the Company's evaluation of the specific characteristics of the leases. Factors considered in these analyses include an estimate of carrying costs during hypothetical expected lease-up periods, considering current market conditions, and costs to execute similar leases. The Company also considers information about each property obtained during its pre-acquisition due diligence and marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

Property sales or dispositions are recorded when title transfers and sufficient consideration is received by the Company and the Company has no significant continuing involvement with the property sold.

Impairment. The Company's long-lived assets are reviewed for impairment quarterly if events or changes in circumstances (such as adverse market conditions, including conditions resulting from an ongoing economic recession) indicate that a long-lived asset might be impaired. Judgments regarding existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset and events that occur that affect the financial strength of significant tenants of the assets, including tenants who have filed for bankruptcy. For long-lived assets in which an impairment indicator is present, the Company compares

the expected future undiscounted cash flows for the long-lived asset against the carrying amount of the asset, including any associated intangibles, subject to evaluation. The evaluation of undiscounted cash flows is subjective and reflects assumptions regarding current market conditions relative to the long-lived asset being evaluated, such as future occupancy, rental rates and capital requirements. A worsening real estate market may cause the Company to re-evaluate the assumptions used in our impairment analysis. If there is an indication of impairment based on this evaluation because the expected undiscounted cash flows plus reversion are less than the asset's carrying value, impairment is recorded based on the estimated fair value (typically based on a current independent appraisal) of the long-lived asset in comparison to its carrying value. The results of the Company's evaluation of impairment analysis could be material to the Company's financial statements.

Allowance for Doubtful Accounts. The Company periodically evaluates the collectibility of amounts due from tenants and maintains an allowance for doubtful accounts (approximately $317,000 as of April 30, 2011) for estimated losses resulting from the inability of tenants to make required payments under their respective lease agreements. The Company also maintains an allowance for deferred rents receivable arising from the straight-lining of rents (approximately $996,000 as of April 30, 2011) and from mortgage loans (approximately $3,000 as of April 30, 2011). The straight-lining of rents receivable arises from earnings recognized in excess of amounts currently due under lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. If estimates differ from actual results this would impact reported results.

Revenue Recognition - The Company has the following revenue sources and revenue recognition policies:

- Base Rents - income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent increases and abated rent under the leases. Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments increase during the term of the lease. Rental revenue is recorded for the full term of each lease on a straight-line basis. Accordingly, the Company records a receivable from tenants for rents that it expects to collect over the remaining lease term as deferred rents receivable. When the Company acquires a property, the term of the existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Revenue recognition is considered to be critical because the evaluation of the reliability of such deferred rents receivable involves management's assumptions relating to such tenant's viability.

- Percentage Rents - income arising from retail tenant leases which are contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).

- Expense Reimbursement Income – revenue arising from tenant leases, which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

Income Taxes. The Company operates in a manner intended to enable it to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a distribution to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. The Company intends to distribute to its shareholders 100% of its taxable income. Therefore, no provision for Federal income taxes is required. If the Company fails to distribute the required amount of income to its shareholders, it would fail to qualify as a REIT and substantial adverse tax consequences may result.

The Company has one TRS, acquired during the fourth quarter of fiscal year 2010, which is subject to corporate federal and state income taxes on its taxable income at regular statutory rates. For fiscal years 2011 and 2010, the Company's TRS had a net operating loss. There were no income tax provisions or material deferred income tax items for our TRS for the fiscal years ended April 30, 2011 and 2010. The Company's TRS is the tenant in the Company's Wyoming assisted living facilities.

The Company's taxable income is affected by a number of factors, including, but not limited to, the following: that the Company's tenants perform their obligations under their leases with the Company and that the Company's tax and accounting positions do not change. These factors, which impact the Company's taxable income, are subject to

change, and many are outside the control of the Company. If actual results vary, the Company's taxable income may change.

Recent Accounting Pronouncements

For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 to our Consolidated Financial Statements.

RESULTS OF OPERATIONS

Revenues

Total revenues for fiscal year 2011 were $237.4 million, compared to $231.5 million in fiscal year 2010 and $228.5 million in fiscal year 2009. Revenues during fiscal year 2011 were $5.9 million greater than revenues in fiscal year 2010 and revenues during fiscal year 2010 were $3.0 million greater than in fiscal year 2009.

For fiscal 2011, the increase in revenue of $5.9 million resulted from:

	(in thousands)
Rent in Fiscal 2011 from 10 properties acquired in fiscal year 2010 in excess of that received in 2010 from the same 10 properties	$ 7,799
Rent from 8 properties acquired in fiscal year 2011	2,356
Decrease in rental income on stabilized properties due primarily to a decrease in occupancy	(4,259)
	$ 5,896

For fiscal 2010, the increase in revenue of $3.0 million resulted from:

	(in thousands)
Rent in Fiscal 2010 from 9 properties acquired in fiscal year 2009 in excess of that received in 2009 from the same 9 properties	$ 2,234
Rent from 10 properties acquired in fiscal year 2010	4,243
Decrease in rental income on stabilized properties due primarily to a decrease in occupancy	(3,482)
	$ 2,995

As illustrated above, the majority of the increase in our gross revenue for fiscal years 2011 and 2010 ($10.2 million and $6.5 million respectively) resulted from the addition of new real estate properties to the IRET Properties' portfolio. Rental Revenue in fiscal years 2011 and 2010 from stabilized properties decreased $4.3 and $3.5 million, respectively.

For the next 12 months, we continue to look to acquisitions and development of new properties and recovery in our stabilized portfolio to be the most significant factors in any increases in our revenues and ultimately our net income. However, we have not observed any marked and sustained decline in the prices at which investment properties are offered for sale, which, combined with the general lack of improvement in operating fundamentals, makes identifying attractive acquisition possibilities a continuing challenge. Consequently, there is ongoing uncertainty regarding our ability to identify acquisition targets and our ability to make acquisitions accordingly could be adversely affected.

Gain on Sale of Real Estate

The Company realized a gain on sale of real estate, land and other investments for fiscal year 2011 of approximately $19.4 million. This compares to approximately $68,000 of gain on sale of real estate recognized in fiscal 2010 and approximately $54,000 recognized in fiscal 2009. Properties sold in fiscal years 2011 and 2010 are detailed below in the section captioned "Property Dispositions."

Net Operating Income

The following tables report segment financial information. We measure the performance of our segments based on net operating income ("NOI"), which we define as total real estate revenues less real estate expenses and real estate taxes (excluding depreciation and amortization related to real estate investments and impairment of real estate investments). We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of core operations that is unaffected by depreciation,

amortization, financing and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, net income available for common shareholders or cash flow from operating activities as a measure of financial performance.

The following tables show real estate revenues, real estate operating expenses and NOI by reportable operating segment for fiscal years 2011, 2010 and 2009. For a reconciliation of net operating income of reportable segments to net income as reported, see Note 11 of the Notes to Consolidated Financial Statements in this report.

The tables also show net operating income by reportable operating segment on a stabilized property and non-stabilized property basis. Stabilized properties are properties owned for the entirety of the periods being compared, and, in the case of development or re-development properties, which have achieved a target level of occupancy. This comparison allows the Company to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a stabilized property basis is useful to investors because it enables evaluation of how the Company's properties are performing year over year. Management uses this measure to assess whether or not it has been successful in increasing net operating income, renewing the leases of existing tenants, controlling operating costs and appropriately handling capital improvements.

			(in thousands)			
Year Ended April 30, 2011	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
Real estate revenue	$66,838	$77,747	$66,048	$13,165	$13,609	$ 237,407
Real estate expenses						
Utilities	6,479	7,515	3,359	389	496	18,238
Maintenance	10,755	11,430	4,581	765	1,709	29,240
Real estate taxes	6,537	13,894	5,726	2,607	2,088	30,852
Insurance	1,205	503	384	127	85	2,304
Property management	9,153	2,713	8,416	440	567	21,289
Total real estate expenses	$34,129	$36,055	$22,466	$4,328	$4,945	$ 101,923
Net operating income	$32,709	$41,692	$43,582	$8,837	$8,664	$ 135,484
Stabilized net operating income	$32,467	$41,187	$39,518	$8,216	$8,476	$ 129,864
Non-stabilized net operating income	242	505	4,064	621	188	5,620
Total net operating income	$32,709	$41,692	$43,582	$8,837	$8,664	$ 135,484

			(in thousands)			
Year Ended April 30, 2010	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
Real estate revenue	$65,478	$82,079	$57,439	$13,095	$13,420	$ 231,511
Real estate expenses						
Utilities	6,303	7,188	2,937	185	488	17,101
Maintenance	9,549	11,127	4,210	738	1,348	26,972
Real estate taxes	6,316	14,150	5,046	2,550	2,148	30,210

Insurance	1,664	1,051	479	224	197	3,615
Property management	8,783	3,317	5,232	424	637	18,393
Total real estate expenses	$ 32,615	$ 36,833	$ 17,904	$ 4,121	$ 4,818	$ 96,291
Gain on involuntary conversion	1,660	0	0	0	0	1,660
Net operating income	$ 34,523	$ 45,246	$ 39,535	$ 8,974	$ 8,602	$ 136,880
Stabilized net operating income	$ 34,474	$ 45,304	$ 38,524	$ 8,767	$ 8,602	$ 135,671
Non-stabilized net operating income	49	(58)	1,011	207	0	1,209
Total net operating income	$ 34,523	$ 45,246	$ 39,535	$ 8,974	$ 8,602	$ 136,880

Year Ended April 30, 2009	(in thousands) Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
Real estate revenue	$65,632	$83,446	$52,547	$12,488	$14,403	$ 228,516
Real estate expenses						
Utilities	6,861	7,851	2,859	93	448	18,112
Maintenance	9,084	11,287	4,046	566	1,448	26,431
Real estate taxes	6,654	13,850	4,515	1,878	2,180	29,077
Insurance	1,089	1,003	419	171	182	2,864
Property management	7,627	3,653	4,207	434	807	16,728
Total real estate expenses	$31,315	$37,644	$16,046	$3,142	$5,065	$ 93,212
Net operating income	$34,317	$45,802	$36,501	$9,346	$9,338	$ 135,304
Stabilized net operating income	$33,356	$45,713	$35,929	$9,228	$9,338	$ 133,564
Non-stabilized net operating income	961	89	572	118	0	1,740
Total net operating income	$34,317	$45,802	$36,501	$9,346	$9,338	$ 135,304

Changes in Expenses and Net Income

Net income available to common shareholders for fiscal year 2011 was $17.7 million, compared to $1.6 million in fiscal year 2010 and $6.2 million in fiscal year 2009. On a per common share basis, net income was $.22 per common share in fiscal year 2011, compared to $.03 per common share in fiscal year 2010 and $.11 in fiscal year 2009.

These changes in net income result from the changes in revenues and expenses detailed below:

Changes in net income available to common shareholders for fiscal year 2011 resulted from:

	(in thousands)
An increase in income from discontinued operations	$ 20,501
A decrease in interest expense primarily due to debt refinancing	1,644
A decrease in impairment of real estate investment	708
An increase in net operating income (not including involuntary conversion)	264
An increase in net loss attributable to noncontrolling interests - consolidated real estate entities	202
These increases were offset by:	
An increase in net income attributable to noncontrolling interests - Operating Partnership	(3,887)
A decrease in gain on involuntary conversion	(1,660)
An increase in depreciation/amortization expense related to real estate investments	(756)
An increase in amortization related to non-real estate investments	(317)
A decrease in interest income	(280)
An increase in other expenses, administrative, advisory and trustee services	(265)
A decrease in other income	(73)
Total increase in fiscal 2011 net income available to common shareholders	$ 16,081

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Changes in net income available to common shareholders for fiscal year 2010 resulted from:

	(in thousands)
A decrease in net income attributable to noncontrolling interests - Operating Partnership	$ 1,665
An increase in gain on involuntary conversion	1,660
An increase in other income	41
These increases were offset by:	
An increase in depreciation/amortization expense related to real estate investments	(2,719)
An increase in other expenses, administrative, advisory and trustee services	(2,409)
An increase in loss from discontinued operations	(896)
An increase in impairment of real estate investment	(708)
An increase in interest expense primarily due to debt placed on new acquisitions	(651)
An increase in amortization related to non-real estate investments	(302)
A decrease in net operating income primarily due to vacancy on stabilized properties (not including involuntary conversion)	(84)
A decrease in interest income	(60)
A decrease in net loss attributable to noncontrolling interests - consolidated real estate entities	(62)
Total decrease in fiscal 2010 net income available to common shareholders	$ (4,525)

Factors Impacting Net Income During Fiscal Year 2011 as Compared to Fiscal Year 2010

Physical occupancy rates in three of our five segments, on an all properties basis, decreased compared to the year-earlier period, while real estate revenue increased in four of our five segments in fiscal year 2011 compared to fiscal year 2010. Net income available to common shareholders increased to $17.7 million in fiscal year 2011, compared to $1.6 million in fiscal year 2010. Revenue increases during fiscal year 2011 were offset by increases in utilites, maintenance, real estate taxes and property management expense.

- Physical Occupancy. During fiscal year 2011, physical occupancy levels at our properties on an all properties basis decreased over year-earlier levels in three of our five reportable segments (commercial office, commercial industrial and commercial retail), and increased in our multi-family residential and commercial medical segments. Physical occupancy rates on a stabilized property basis for the fiscal year ended April 30, 2011 decreased in four of our five reportable segments compared to the fiscal year ended April 30, 2010, and are shown below:

	Stabilized Properties Fiscal Year Ended April 30,		All Properties Fiscal Year Ended April 30,	
Segments	2011	2010	2011	2010
Multi-Family Residential	92.8 %	89.7 %	92.8 %	89.7 %
Commercial Office	79.2 %	83.9 %	79.7 %	83.4 %
Commercial Medical	95.3 %	95.7 %	96.0 %	95.1 %
Commercial Industrial	89.8 %	90.6 %	90.1 %	90.7 %
Commercial Retail	82.6 %	82.8 %	81.6 %	82.8 %

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Concessions. Our overall level of tenant concessions increased for the fiscal year ended April 30, 2011 compared to the year-earlier period. To maintain or increase physical occupancy levels at our properties, we may offer tenant incentives, generally in the form of lower or abated rents, which results in decreased revenues and income from operations at our properties. Rent concessions offered during the fiscal year ended April 30, 2011 lowered our operating revenues by approximately $4.5 million, as compared to an approximately $2.4 million reduction in operating revenues attributable to rent concessions offered in fiscal year 2010.

The following table shows the approximate reduction in our operating revenues due to rent concessions, by segment, for the fiscal years ended April 30, 2011 and 2010:

	(in thousands) Fiscal Year Ended April 30,		
	2011	2010	Change
Multi-Family Residential	$1,539	$1,152	$387
Commercial Office(1)	2,081	747	1,334
Commercial Medical(1)	284	381	(97)
Commercial Industrial(1)	389	99	290
Commercial Retail(1)	239	27	212
Total	$4,532	$2,406	$2,126

(1) Rent concessions are amortized on a straight-line basis over the terms of the related leases.

- Increased Depreciation Expense. Depreciation expense increased in fiscal year 2011 compared to fiscal year 2010, from $54.6 million to $55.4 million, an increase of $829,000 or approximately 1.5%. Depreciation expense at properties newly acquired in fiscal years 2011 and 2010 added $1.6 million to the depreciation expense category during fiscal year 2011 while depreciation expenses at existing properties decreased by $774,000. Depreciation expense consists of depreciation on buildings and capital improvements, and does not include depreciation on property and equipment at the Company's offices. Depreciation for property and equipment at the Company's offices was $425,000 for a total Depreciation/amortization related to real estate investments of $55.8 million for fiscal year 2011.

Depreciation expense by reportable segment for the fiscal years ended April 30, 2011 and 2010 is as follows:

(in thousands)	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$13,604	$19,882	$15,630	$3,317	$2,991	$55,424
2010	$13,105	$20,574	$14,383	$3,498	$3,035	$54,595
Change	$499	$(692)	$1,247	$(181)	$(44)	$829
% change (2011 vs. 2010)	3.8%	(3.4%)	8.7%	(5.2%)	(1.4%)	1.5%
Stabilized	$383	$(945)	$223	$(292)	$(143)	$(774)
Non-stabilized	$116	$253	$1,024	$111	$99	$1,603
Change	$499	$(692)	$1,247	$(181)	$(44)	$829

- Increased Utility Expense. Utility expense totaled $18.2 million in fiscal year 2011, compared to $17.1 million in fiscal year 2010. Utility expenses at properties newly acquired in fiscal years 2011 and 2010 added $438,000 to the utility expense category during fiscal year 2011 (with our commercial medical segment accounting for $344,000), while utility expenses at existing properties increased by $699,000, primarily due to increased heating

costs in fiscal year 2011 compared to fiscal year 2010, for a total increase of $1.1 million or 6.6% in utility expenses in fiscal year 2011 compared to fiscal year 2010.

Utility expenses by reportable segment for the fiscal years ended April 30, 2011 and 2010 are as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$ 6,479	$ 7,515	$ 3,359	$ 389	$ 496	$ 18,238
2010	$ 6,303	$ 7,188	$ 2,937	$ 185	$ 488	$ 17,101
Change	$ 176	$ 327	$ 422	$ 204	$ 8	$ 1,137
% change (2011 vs. 2010)	2.8 %	4.5 %	14.4 %	110.3 %	1.6 %	6.6 %
Stabilized	$ 119	$ 290	$ 78	$ 204	$ 8	$ 699
Non-stabilized	$ 57	$ 37	$ 344	$ 0	$ 0	$ 438
Change	$ 176	$ 327	$ 422	$ 204	$ 8	$ 1,137

Increased Maintenance Expense. Maintenance expenses totaled $29.2 million in fiscal year 2011, compared to $27.0 million in fiscal year 2010. Maintenance expenses at properties newly acquired in fiscal years 2011 and 2010 added approximately $368,000 to the maintenance expense category during fiscal year 2011, while maintenance expenses at existing properties increased by approximately $1.9 million, primarily for increased snow removal costs in all segments and for payroll and tax expenses at our multi-family residential segment resulting in a net increase of approximately $2.3 million or 8.4% in maintenance expenses in fiscal year 2011 compared to fiscal year 2010. Under the terms of most of our commercial leases, the full cost of maintenance is paid by the tenant as additional rent. For our noncommercial real estate properties, any increase in our maintenance costs must be collected from tenants in the form of general rent increases.

Maintenance expenses by reportable segment for the fiscal years ended April 30, 2011 and 2010 are as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$10,755	$11,430	$4,581	$765	$1,709	$29,240
2010	$9,549	$11,127	$4,210	$738	$1,348	$26,972
Change	$1,206	$303	$371	$27	$361	$2,268
% change (2011 vs. 2010)	12.6%	2.7%	8.8%	3.7%	26.8%	8.4%
Stabilized	$1,086	$229	$209	$23	$353	$1,900
Non-stabilized	$120	$74	$162	$4	$8	$368
Change	$1,206	$303	$371	$27	$361	$2,268

- Increased Real Estate Tax Expense. Real estate taxes on properties newly acquired in fiscal years 2011 and 2010 added $264,000 to real estate tax expense, while real estate taxes on existing properties increased by approximately $378,000, for a total increase of $642,000 or 2.1% in real estate tax expense in fiscal year 2011 compared to fiscal year 2010, from $30.2 million to $30.9 million. The increase in real estate taxes was a net result of increased assessed values in the multi-family residential and commercial medical segments offset by decreased assessed values in the commercial office and commercial retail segments.

Real estate tax expense by reportable segment for the fiscal years ended April 30, 2011 and 2010 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$6,537	$13,894	$5,726	$2,607	$2,088	$30,852
2010	$6,316	$14,150	$5,046	$2,550	$2,148	$30,210
Change	$221	$(256)	$680	$57	$(60)	$642
% change (2011 vs. 2010)	3.5%	(1.8%)	13.5%	2.2%	(2.8%)	2.1%
Stabilized	$156	$(349)	$636	$28	$(93)	$378
Non-stabilized	$65	$93	$44	$29	$33	$264

Change	$ 221	$ (256)	$ 680	$ 57	$ (60)	$ 642

- Decreased Insurance Expense. Insurance expense decreased in fiscal year 2011 compared to fiscal year 2010, from $3.6 million to $2.3 million, a decrease of approximately 36.3%. Insurance expense at properties newly-acquired in fiscal years 2011 and 2010 added approximately $187,000 to insurance expense, while insurance expense at existing properties decreased by approximately $1.5 million, for a decrease of approximately $1.3 million in insurance expense in fiscal year 2011 compared to fiscal year 2010. The decrease in insurance expense at stabilized properties is due to reduced insurance rates because of better claims experience.

Insurance expense by reportable segment for the fiscal years ended April 30, 2011 and 2010 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$1,205	$503	$384	$127	$85	$2,304
2010	$1,664	$1,051	$479	$224	$197	$3,615
Change	$(459)	$(548)	$(95)	$(97)	$(112)	$(1,311)
% change (2011 vs. 2010)	(27.6%)	(52.1%)	(19.8%)	(43.3%)	(56.9%)	(36.3%)
Stabilized	$(469)	$(553)	$(267)	$(97)	$(112)	$(1,498)
Non-stabilized	$10	$5	$172	$0	$0	$187
Change	$(459)	$(548)	$(95)	$(97)	$(112)	$(1,311)

• Increased Property Management Expense. Property management expense increased in fiscal year 2011 compared to fiscal year 2010, from $18.4 million to $21.3 million, an increase of $2.9 million or approximately 15.7%. Property management expenses at properties newly acquired in fiscal years 2011 and 2010 added $4.5 million to the property management category during fiscal year 2011 (with our commercial medical segment accounting for $4.4 million) while property management expenses at existing properties decreased by $1.6 million primarily as a result of a reduction in bad debt expense in the commercial medical segment of $1.0 million, offset by an increase in bad debt expense in the multi-family residential segment of $348,000 and to a lesser extent reduced management fees in the commercial office segment of $746,000.

Property management expense by reportable segment for the fiscal years ended April 30, 2011 and 2010 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$9,153	$2,713	$8,416	$440	$567	$21,289
2010	$8,783	$3,317	$5,232	$424	$637	$18,393
Change	$370	$(604)	$3,184	$16	$(70)	$2,896
% change (2011 vs. 2010)	4.2%	(18.2%)	60.9%	3.8%	(11.0%)	15.7%
Stabilized	$275	$(623)	$(1,175)	$9	$(76)	$(1,590)
Non-stabilized	$95	$19	$4,359	$7	$6	$4,486
Change	$370	$(604)	$3,184	$16	$(70)	$2,896

• Decreased Mortgage Interest Expense. Our mortgage interest expense decreased approximately $2.6 million, or 4.0%, to approximately $61.1 million during fiscal year 2011, compared to $63.7 million in fiscal year 2010. The mortgage interest expense category does not include interest expense on the multi-bank line of credit we entered into in the first quarter of fiscal year 2011, which totaled approximately $851,000 in fiscal year 2011, or interest expense totaling approximately $96,000 in fiscal year 2011 on our two loans financed with Recovery Zone Facility Bonds. Mortgage interest expense and interest expense on our line of credit and on our two loans financed with Recovery Zone Facility Bonds are all components of “Interest expense” on our consolidated statement of operations. Mortgage interest expense for properties newly acquired in fiscal years 2011 and 2010 added $321,000 to our total

mortgage interest expense in fiscal year 2011, while mortgage interest expense on existing properties decreased $2.9 million. Our overall weighted average interest rate on all outstanding mortgage debt was 5.92% as of April 30, 2011, compared to 6.17% as of April 30, 2010. Our mortgage debt decreased approximately $63.8 million, or 6.0%, to approximately $993.8 million as of April 30, 2011, compared to April 30, 2010. Mortgage debt does not include our multi-bank line of credit and our two loans financed with Recovery Zone Facility Bonds, both of which appear on our consolidated balance sheet in "Other debt."

Mortgage interest expense by reportable segment for the fiscal years ended April 30, 2011 and 2010 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2011	$16,550	$21,349	$16,307	$3,786	$3,151	$61,143
2010	$16,540	$22,864	$17,023	$3,884	$3,392	$63,703
Change	$10	$(1,515)	$(716)	$(98)	$(241)	$(2,560)
% change (2011 vs. 2010)	0.1%	(6.6%)	(4.2%)	(2.5%)	(7.1%)	(4.0%)
Stabilized	$(159)	$(1,608)	$(710)	$(163)	$(241)	$(2,881)
Non-stabilized	$169	$93	$(6)	$65	$0	$321
Change	$10	$(1,515)	$(716)	$(98)	$(241)	$(2,560)

- Decreased Amortization Expense. The Company allocates a portion of the purchase price paid for properties to in-place lease intangible assets. The amortization period of these intangible assets is the term of the lease, rather than the estimated life of the buildings and improvements. The Company accordingly initially records additional amortization expense due to this shorter amortization period, which has the effect in the short term of decreasing the Company's net income available to common shareholders, as computed in accordance with GAAP. Amortization expense related to in-places leases totaled $7.1 million in fiscal year 2011, compared to $8.6 million in fiscal year 2010. The decrease in amortization expense in fiscal year 2011 compared to fiscal year 2010 was primarily due to prior years' acquisitions becoming completely amortized.

- Increased Administrative expenses. Administrative expenses totaled $6.6 million in fiscal year 2011, compared to $5.7 million in fiscal year 2010, with the increase due primarily to higher salary and employee incentive compensation expense.

Factors Impacting Net Income During Fiscal Year 2010 as Compared to Fiscal Year 2009

Physical occupancy rates in four of our five segments, on an all properties basis, decreased compared to the year-earlier period, and real estate revenue decreased in three of our five segments in fiscal year 2010 compared to fiscal year 2009. Net income available to common shareholders decreased to $1.6 million in fiscal year 2010, compared to $6.2 million in fiscal year 2009. Revenue increases during fiscal year 2010 were offset by increases in maintenance, real estate taxes, property management and insurance expense.

- Physical Occupancy. During fiscal year 2010, physical occupancy levels at our properties on an all properties basis decreased over year-earlier levels in four of our five reportable segments (multi-family, commercial office, commercial industrial and commercial retail), and increased slightly in our commercial medical segment. Physical occupancy rates on a stabilized property basis for the fiscal year ended April 30, 2010 decreased in all of our reportable segments compared to the fiscal year ended April 30, 2009, and are shown below:

	Stabilized Properties	All Properties

Segments	Fiscal Year Ended April 30,				Fiscal Year Ended April 30,			
	2010		2009		2010		2009	
Multi-Family Residential	89.6	%	93.6	%	89.7	%	93.4	%
Commercial Office	84.2	%	87.4	%	83.4	%	87.5	%
Commercial Medical	94.5	%	95.6	%	95.1	%	95.0	%
Commercial Industrial	90.3	%	96.9	%	90.7	%	97.0	%
Commercial Retail	82.8	%	84.7	%	82.8	%	84.7	%

- Concessions. Our overall level of tenant concessions decreased for the fiscal year ended April 30, 2010 compared to the year-earlier period. To maintain or increase physical occupancy levels at our properties, we may offer tenant incentives, generally in the form of lower or abated rents, which results in decreased revenues and income from operations at our properties. Rent concessions offered during the fiscal year ended April 30, 2010 and 2009 lowered our operating revenues by approximately $2.4 million.

The following table shows the approximate reduction in our operating revenues due to rent concessions, by segment, for the fiscal years ended April 30, 2010 and 2009:

	(in thousands)		
	Fiscal Year Ended April 30,		
	2010	2009	Change
Multi-Family Residential	$1,152	$1,085	$67
Commercial Office	747	1,036	(289)
Commercial Medical	381	34	347
Commercial Industrial	99	220	(121)
Commercial Retail	27	44	(17)
Total	$2,406	$2,419	$(13)

- Increased Depreciation Expense. Depreciation expense increased in fiscal year 2010 compared to fiscal year 2009, from $52.1 million to $54.6 million, an increase of $2.5 million or approximately 4.8%. Depreciation expense at properties newly acquired in fiscal years 2010 and 2009 added $1.3 million to the depreciation expense category during fiscal year 2010 while depreciation expenses at existing properties increased by $1.2 million. Depreciation expense consists of depreciation on buildings and capital improvements, and does not include depreciation on property and equipment at the Company's offices. Depreciation for property and equipment at the Company's offices was $498,000 for a total Depreciation/amortization related to real estate investments of $55.1 million for fiscal year 2010.

Depreciation expense by reportable segment for the fiscal years ended April 30, 2010 and 2009 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2010	$13,105	$20,574	$14,383	$3,498	$3,035	$54,595
2009	$12,076	$20,760	$13,109	$3,368	$2,766	$52,079
Change	$1,029	$(186)	$1,274	$130	$269	$2,516
% change (2010 vs. 2009)	8.5%	(0.9%)	9.7%	3.9%	9.7%	4.8%
Stabilized	$697	$(279)	$535	$(16)	$269	$1,206
Non-stabilized	$332	$93	$739	$146	$0	$1,310
2010	$1,029	$(186)	$1,274	$130	$269	$2,516

- Decreased Utility Expense. Utility expense totaled $17.1 million in fiscal year 2010, compared to $18.1 million in fiscal year 2009. Utility expenses at properties newly acquired in fiscal years 2010 and 2009 added $313,000 to the utility expense category during fiscal year 2010 (with our commercial medical segment accounting for $311,000), while utility expenses at existing properties decreased by $1.3 million, primarily due in part to decreased heating costs compared to fiscal year 2009's unseasonably cold temperatures and, to a lesser degree, decreased rates in fiscal year 2010 compared to fiscal year 2009's higher fuel costs (notably in our commercial office segment with a decrease of $682,000), for a total decrease of $1.0 million or 5.6% in utility expenses in

fiscal year 2010 compared to fiscal year 2009.

Utility expenses by reportable segment for the fiscal years ended April 30, 2010 and 2009 are as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2010	$6,303	$7,188	$2,937	$185	$488	$17,101
2009	$6,861	$7,851	$2,859	$93	$448	$18,112
Change	$(558)	$(663)	$78	$92	$40	$(1,011)
% change (2010 vs. 2009)	(8.1%)	(8.4%)	2.7%	98.9%	8.9%	(5.6%)
Stabilized	$(542)	$(682)	$(233)	$93	$40	$(1,324)
Non-stabilized	$(16)	$19	$311	$(1)	$0	$313
Change	$(558)	$(663)	$78	$92	$40	$(1,011)

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- Increased Maintenance Expense. Maintenance expenses totaled $27.0 million in fiscal year 2010, compared to $26.4 million in fiscal year 2009. Maintenance expenses at properties newly acquired in fiscal years 2010 and 2009 added approximately $421,000 to the maintenance expense category during fiscal year 2010, while maintenance expenses at existing properties increased by approximately $120,000, primarily for payroll and taxes and vehicle expenses at our multi-family residential segment resulting in a net increase of approximately $541,000 million or 2.0% in maintenance expenses in fiscal year 2010 compared to fiscal year 2009. Under the terms of most of our commercial leases, the full cost of maintenance is paid by the tenant as additional rent. For our noncommercial real estate properties, any increase in our maintenance costs must be collected from tenants in the form of general rent increases.

Maintenance expenses by reportable segment for the fiscal years ended April 30, 2010 and 2009 are as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2010	$9,549	$ 11,127	$ 4,210	$ 738	$ 1,348	$ 26,972
2009	$9,084	$ 11,287	$ 4,046	$ 566	$ 1,448	$ 26,431
Change	$465	$ (160)	$ 164	$ 172	$ (100)	$ 541
% change (2010 vs. 2009)	5.1%	(1.4%)	4.1%	30.4%	(6.9%)	2.0%
Stabilized	$324	$ (186)	$ (90)	$ 172	$ (100)	$ 120
Non-stabilized	$141	$ 26	$ 254	$ 0	$ 0	$ 421
Change	$465	$ (160)	$ 164	$ 172	$ (100)	$ 541

- Increased Real Estate Tax Expense. Real estate taxes on properties newly acquired in fiscal years 2010 and 2009 added $192,000 to real estate tax expense (with our commercial industrial segment accounting for $161,000), while real estate taxes on existing properties increased by approximately $941,000, for a total increase of $1.1 million or 3.9% in real estate tax expense in fiscal year 2010 compared to fiscal year 2009, from $29.1 million to $30.2 million. The increase in real estate taxes was primarily due to higher value assessments or increased tax levies on our stabilized properties.

Real estate tax expense by reportable segment for the fiscal years ended April 30, 2010 and 2009 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2010	$6,316	$ 14,150	$ 5,046	$ 2,550	$ 2,148	$ 30,210
2009	$6,654	$ 13,850	$ 4,515	$ 1,878	$ 2,180	$ 29,077
Change	$(338)	$ 300	$ 531	$ 672	$ (32)	$ 1,133
% change (2010 vs. 2009)	(5.1%)	2.2%	11.8%	35.8%	(1.5%)	3.9%
Stabilized	$(212)	$ 262	$ 412	$ 511	$ (32)	$ 941
Non-stabilized	$(126)	$ 38	$ 119	$ 161	$ 0	$ 192

Change	$ (338)	$ 300	$ 531	$ 672	$ (32)	$ 1,133

- Increased Insurance Expense. Insurance expense increased in fiscal year 2010 compared to fiscal year 2009, from $2.9 million to $3.6 million, an increase of approximately 26.2%. Insurance expense at properties newly-acquired in fiscal years 2010 and 2009 added approximately $99,000 to insurance expense, while insurance expense at existing properties increased by approximately $652,000, for an increase of approximately $751,000 in insurance expense in fiscal year 2010 compared to fiscal year 2009. The increase in insurance expense at stabilized properties is due to an increase in premiums, most notably in our multi-family residential segment of $531,000.

Insurance expense by reportable segment for the fiscal years ended April 30, 2010 and 2009 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2010	$ 1,664	$ 1,051	$ 479			