

INVESTORS REAL ESTATE TRUST

Form 10-Q

December 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For Quarter Ended October 31, 2012

Commission File Number 0-14851

INVESTORS REAL ESTATE TRUST

(Exact name of registrant as specified in its charter)

North Dakota 45-0311232

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

1400 31st Avenue SW, Suite 60

Post Office Box 1988

Minot, ND 58702-1988

(Address of principal executive offices) (Zip code)

(701) 837-4738

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report.)

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 the filing requirements for at least the past 90 days.

Yes R No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes R No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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.

Large accelerated filer Accelerated filer R

Non-accelerated filer Smaller Reporting Company

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

Yes No R

Registrant is a North Dakota Real Estate Investment Trust. As of November 26, 2012, it had 93,493,324 common shares of beneficial interest outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS - SECOND QUARTER - FISCAL 2013

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

	(in thousands, except share data)	
	October 31, 2012	April 30, 2012
ASSETS		
Real estate investments		
Property owned	\$1,983,978	\$1,892,009
Less accumulated depreciation	(394,256)	(373,490)
	1,589,722	1,518,519
Development in progress	23,218	27,599
Unimproved land	11,670	10,990
Total real estate investments	1,624,610	1,557,108
Real estate held for sale	1,844	2,067
Cash and cash equivalents	84,258	39,989
Other investments	637	634
Receivable arising from straight-lining of rents, net of allowance of \$1,310 and \$1,209, respectively	24,895	23,273
Accounts receivable, net of allowance of \$410 and \$154, respectively	2,854	7,052
Real estate deposits	55	263
Prepaid and other assets	2,101	3,703
Intangible assets, net of accumulated amortization of \$25,579 and \$47,813, respectively	42,281	44,588
Tax, insurance, and other escrow	12,177	11,669
Property and equipment, net of accumulated depreciation of \$1,518 and \$1,423, respectively	1,351	1,454
Goodwill	1,110	1,120
Deferred charges and leasing costs, net of accumulated amortization of \$16,484 and \$16,244, respectively	21,164	21,447
TOTAL ASSETS	\$1,819,337	\$1,714,367
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	\$38,762	\$47,403
Revolving line of credit	10,000	39,000
Mortgages payable	1,045,197	1,048,689
Other	32,889	14,012
TOTAL LIABILITIES	1,126,848	1,149,104
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
EQUITY		
Investors Real Estate Trust shareholders' equity		
Series A Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, 1,150,000 shares issued and outstanding at October 31, 2012 and April 30, 2012, aggregate liquidation preference of \$28,750,000)	27,317	27,317
Series B Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, 4,600,000 and 0 shares issued and outstanding at October 31, 2012 and April 30, 2012, respectively, aggregate liquidation preference of \$115,000,000)	111,357	0
	711,880	684,049

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Common Shares of Beneficial Interest (Unlimited authorization, no par value, 93,161,087 shares issued and outstanding at October 31, 2012, and 89,473,838 shares issued and outstanding at April 30, 2012)

Accumulated distributions in excess of net income	(295,396)	(278,377)
Total Investors Real Estate Trust shareholders' equity	555,158	432,989
Noncontrolling interests – Operating Partnership (21,336,222 units at October 31, 2012 and 20,332,415 units at April 30, 2012)	122,357	118,710
Noncontrolling interests – consolidated real estate entities	14,974	13,564
Total equity	692,489	565,263
TOTAL LIABILITIES AND EQUITY	\$1,819,337	\$1,714,367

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

for the three and six months ended October 31, 2012 and 2011

	(in thousands, except per share data)			
	Three Months		Six Months Ended	
	Ended		October 31	
	October 31	October 31	October 31	October 31
	2012	2011	2012	2011
REVENUE				
Real estate rentals	\$53,389	\$49,371	\$104,719	\$97,804
Tenant reimbursement	11,554	10,829	22,210	21,560
TOTAL REVENUE	64,943	60,200	126,929	119,364
EXPENSES				
Depreciation/amortization related to real estate investments	15,707	14,116	31,096	28,190
Utilities	4,859	4,848	9,057	8,792
Maintenance	6,511	6,888	13,853	13,653
Real estate taxes	8,281	7,624	16,628	15,381
Insurance	954	773	1,862	1,638
Property management expenses	4,199	5,394	8,245	10,705
Administrative expenses	1,918	1,911	3,878	3,863
Advisory and trustee services	143	193	279	422
Other expenses	513	835	1,032	1,150
Amortization related to non-real estate investments	799	758	1,632	1,492
TOTAL EXPENSES	43,884	43,340	87,562	85,286
Gain on involuntary conversion	2,263	0	2,263	0
Interest expense	(16,300)	(16,193)	(32,723)	(31,978)
Interest income	88	37	106	90
Other income	115	176	239	276
Income from continuing operations	7,225	880	9,252	2,466
Income fro				