INVESTORS REAL ESTATE TRUST
Form 10-K
July 14, 2010

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, 2010

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 (i.e., by persons other than officers and trustees of the Registrant as reflected in the table in Item 12 of this Form 10-K, incorporated by reference from the Registrant's definitive Proxy Statement for its 2010 Annual Meeting of Shareholders) was $599,852,363 based on the last reported sale price on the NASDAQ Global Select Market on October 30, 2009.

The number of common shares of beneficial interest outstanding as of June 30, 2010, was 76,250,752.

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 2010 Annual Meeting of Shareholders to be held on September 21, 2010 are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) hereof.

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, 2010, our real estate investments in these two states accounted for 67.4% 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 seven locations in Minnesota, North Dakota, Nebraska, Kansas and Missouri.

We seek to diversify our investments among multi-family residential, commercial office, commercial medical, commercial industrial and commercial retail properties. As of April 30, 2010, our real estate portfolio consisted of:

- 78 multi-family residential properties, containing 9,691 apartment units and having a total real estate investment amount net of accumulated depreciation of $426.9 million;

- 67 commercial office properties containing approximately 5.0 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $494.3 million;

- 54 commercial medical properties (including senior housing) containing approximately 2.6 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $376.6 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 $97.8 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 $96.3 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, 2010, no single tenant accounted for more than 10% of our total rental revenues.

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, 2010, IRET, Inc. owned a 78.7% interest in IRET Properties. The remaining ownership of IRET Properties is held by individual limited partners.

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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 South Dakota, Montana, Nebraska, Colorado, Idaho, Iowa, Kansas, Michigan, Missouri, Texas, 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 14 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, 2010 and 2009, we had no junior mortgages

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outstanding. We had one contract for deed outstanding as of April 30, 2010 and 2009, with a balance due to us, net of reserves, of approximately $158,000 and $160,000, 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:

Cash 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. Cash distributions to our common shareholders and unitholders in fiscal year 2010 totaled approximately 99.2% on a per share and unit basis of our funds from operations. Absent continued growth in revenue, and in the event that we continue to experience deterioration in our operating results, we may be unable to maintain our distribution at current levels. We have maintained or increased our cash distributions every year since our inception 40 years ago.

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, 2010, our ratio of total real estate mortgages to total real estate assets was 70.5% while our ratio of total indebtedness as compared to our Net Assets (computed in accordance with our Bylaws) was 122.9%.

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)		
	2010	2009	2008
Limited partnership units issued	390	362	2,309
Value at issuance	$3,897	$3,730	$22,931

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 2010, 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 $158,000 as of April 30, 2010, and $160,000 as of April 30, 2009.

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, 2010.

Name	Age	Title
Timothy P. Mihalick	51	President and Chief Executive Officer
Thomas A. Wentz, Jr.	44	Senior Vice President and Chief Operating Officer
Diane K. Bryantt	46	Senior Vice President and Chief Financial Officer
Michael A. Bosh	39	Senior Vice President and General Counsel
Charles A. Greenberg	51	Senior Vice President, Commercial Asset Management
Thomas A. Wentz, Sr.	74	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.

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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 for some of the largest and best known owners in the country. From 1989 to 2005, Mr. Greenberg was General Manager at Northco Corporation, a Minneapolis-based real estate investment firm.

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, 2010, we had 218 employees, of which 191 were full-time and 27 part-time employees. Of these 218 employees, 49 are corporate staff in our Minot, North Dakota and Eden Prairie, Minnesota offices, and 169 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.

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 Committees of our Board of Trustees are also available on our website under the heading "Corporate Governance" in the Investors/Corporate Profile 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. Continued concerns about the availability and cost of credit, the U.S. mortgage market, inflation and deflation, unemployment levels, geopolitical issues, volatile equity 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 recent 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. Since 2007, 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. 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. The effect of the actions taken by the U.S. Government remains uncertain, and the scope and nature of the actions that the U.S. Government will ultimately undertake are unknown and will continue to evolve. 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, 2010, we received approximately 67.4% 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, 2010, approximately 1.5 million square feet, or 12.6% of our total commercial property square footage, was vacant. Approximately 952 of our 9,691 apartment units, or 9.8%, were vacant. As of April 30, 2010, leases covering approximately 16.1% of our total commercial segments net rentable square footage will expire in fiscal year 2011, 12.6% in fiscal year 2012, 7.3% in fiscal year 2013, 8.0% in fiscal year 2014, and 5.4% in fiscal year 2015.

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 have recently negatively affected substantially all businesses, including ours. Demand for office, industrial, multi-family residential and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. Real estate transactions and development opportunities have significantly diminished and capitalization rates have risen. As a result, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally, regulatory pressures, and the burden of troubled and uncollectible loans has led many 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, 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 2010, 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 99.9% of our net cash provided by operating activities. In the event we continue to experience deterioration in our operating results, and absent growth in revenue, we may be unable to maintain distributions to the holders of our common shares of beneficial interest at current levels. Our Board of Trustees may change the amount of cash

distributions to the holders of our shares of beneficial interest without notice to, or approval of, our shareholders.

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;
- increased reliance on outside advisors and property managers; 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. 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 are currently engaged in transferring 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 will 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 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.

An inability to make accretive property acquisitions may adversely affect our ability to increase our net income. From our fiscal year ended April 30, 2007, to our fiscal year ended April 30, 2010, net income attributable to Investors Real Estate Trust decreased from $14.1 million to $4.0 million. 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.

High leverage on our overall portfolio may result in losses. As of April 30, 2010, 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 122.9%. As of April 30, 2009 and 2008, our percentage of total indebtedness to total Net Assets was approximately 141.8% and 143.8%, respectively. Under our Bylaws we may increase our total indebtedness up to 300.0% of our Net Assets, or by an additional approximately $1.5 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, as they are now; 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, 2010, approximately 10.1% of our mortgage debt is due for repayment in fiscal year 2011. As of April 30, 2010, we had approximately $107.3 million of principal payments and approximately $63.9 million of interest payments due in fiscal year 2011 on fixed and variable-rate mortgages secured by our real estate.

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, 2010, $29.0 million, or approximately 2.7%, of the principal amount of our total mortgage indebtedness was subject to variable interest rate agreements. 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, 2010, our real estate portfolio consisted of 54 commercial medical properties, with a total real estate investment amount, net of accumulated depreciation, of $376.6 million, or approximately 25.2% 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. The American Reinvestment and Recovery Act of 2009, which was signed into law on February 17, 2009, provides $87 billion in additional federal Medicaid funding for states' Medicaid expenditures between October 1, 2008 and December 31, 2010. Under this Act, states meeting certain eligibility requirements will temporarily receive additional money in the form of an increase in the federal medical assistance percentage (FMAP). Thus, for a limited period of time, the share of Medicaid costs that are paid for by the federal government will go up, and each state's share will go down. We cannot predict whether states are, or will remain, eligible to receive the additional federal Medicaid funding, or whether the states will have sufficient funds for their Medicaid programs. We also cannot predict the impact that this broad-based, far-reaching legislation will have on the U.S. economy or our business. 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.

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.

Failure to comply with changing regulation of corporate governance and public disclosure could have a material adverse effect on our business, operating results and stock price, and continuing compliance will result in additional expenses. The Sarbanes-Oxley Act of 2002, as well as new rules and standards subsequently implemented by the Securities and Exchange Commission and NASDAQ, have required changes in some of our corporate governance and accounting practices, and are creating uncertainty for us and many other public companies, due to varying interpretations of the rules and their evolving application in practice. We expect these laws, rules and regulations to increase our legal and financial compliance costs, and to subject us to additional risks. In particular, if we fail to maintain the adequacy of our internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, as such standards may be modified, supplemented or amended from time to time, a material misstatement could go undetected, and we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting. Failure to maintain an effective internal control environment could have a material adverse effect on our business, operating results, and stock price. Additionally, our efforts to comply with Section 404 of the Sarbanes-Oxley Act and the related regulations have required, and we believe will continue to require, the commitment of significant financial and managerial resources.

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.

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.

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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 prior to 2010 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, 2009, through April 30, 2010, was 343,610 shares and the average monthly trading volume for the period of May 1, 2009 through April 30, 2010 was 7,215,777 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.

Certain financial information from fiscal 2008 was adjusted to reflect the effects of discontinued operations. See the Property Dispositions section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the discussion in Note 12 to our Consolidated Financial Statements.

Total Real Estate Rental Revenue

As of April 30, 2010, our real estate portfolio consisted of 78 multi-family residential properties and 173 commercial properties, consisting of commercial office, commercial medical, commercial industrial and commercial retail properties, comprising 28.6%, 33.1%, 25.2%, 6.6%, and 6.5%, 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, 2010. 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:

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
2010	$ 76,430	31.5 %	$ 82,079	33.8 %	$ 57,459	23.7 %	$ 13,304	5.5 %	$ 13,503	5.5 %	$ 242,775
2009	$ 76,716	31.9 %	$ 83,446	34.8 %	$ 52,564	21.9 %	$ 12,711	5.3 %	$ 14,568	6.1 %	$ 240,005
2008	$ 72,827	32.9 %	$ 84,042	38.0 %	$ 38,412	17.4 %	$ 11,691	5.3 %	$ 14,198	6.4 %	$ 221,170

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)
2010	$699	$ 13	$ 18	$ 4	$ 9
2009	$691	$ 13	$ 18	$ 4	$ 8
2008	$675	$ 13	$ 18	$ 3	$ 9
2007	$650	$ 14	$ 16	$ 4	$ 9
2006	$634	$ 11	$ 16	$ 4	$ 8

(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, for the year 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. 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,		
	2010	2009	2008	2010	2009	2008
Multi - Family Residential	90.2%	93.2%	93.1%	90.2%	92.9%	92.1%
Commercial Office	84.2%	87.4%	89.3%	83.4%	87.4%	89.4%
Commercial Medical	94.5%	95.6%	96.2%	95.1%	95.0%	97.0%
Commercial Industrial	90.4%	96.9%	95.2%	90.8%	97.0%	96.6%
Commercial Retail	80.5%	85.1%	86.7%	80.5%	85.1%	86.7%

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 an additional seven locations in Minnesota, North Dakota, Nebraska, Kansas and Missouri. The day-to-day management of our commercial properties is carried out by our own employees and 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 multi-family residential properties to our own employees. As of April 30, 2010, we have under internal management 120 commercial properties and 31 multi-family residential properties. Our remaining 53 commercial and 47 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.

As of April 30, 2010, we had property management contracts and/or leasing agreements with the following companies:

Residential Management	Commercial Management and Leasing
• Builder's Management & Investment Co., Inc.	• A & L Management Services, LLC
• ConAm Management Corporation	• AJB, Inc. dba Points West Realty Management
• Investors Management & Marketing, Inc.	• Balke Brown Associates, Inc.
• Illies Nohava Heinen Property Management, Inc.	• Bayport Properties US, Inc.
• Kahler Property Management	• BTO Development Corporation
• Oxford Property Management, LLC	• CB Richard Ellis, Inc.
• Paramark Corp.	• Cushman & Wakefield of Minnesota, Inc.
	• Dakota Commercial and Development Co.
	• Davis Real Estate Services Group
	• Day Property Management, LLC
	• DESCO Commercial, LLC., dba NAI Desco
	• Duemelands Commercial LLLP
	• Edgewood Management Group LLC
	• Equity Transwestern, LLC
	• Ferguson Property Management Services, L.C.
	• Frauenshuh Companies
	• GREC, LLC, dba Coldwell Banker Commercial Griffin Companies
	• Illies Nohava Heinen Property Management, Inc.
	• Inland Companies, Inc.
	• NorthMarq Real Estate Brokerage LLC
	• Pacific Realty Commercial LLC dba Grubb & Ellis/Pacific Realty
	• Paracom LLC dba Grubb Ellis/Paramount Commerce
	• Paramount Real Estate Corporation
	• Red Brokerage LLC
	• Thornton Oliver Keller, Commercial, LLC
	• Turley Martin Tucker Company, Inc. dba Colliers Turley Martin Tucker Company
	• Vector Property Services, LLC
	• Welsh Companies, LLC

Generally, our management contracts provide for compensation ranging from 1.5% 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)	2010	%	2009	%	2008	%
Real estate investments						
Property owned	$1,800,519		$1,729,585		$1,648,259	
Less accumulated depreciation	(308,626)		(262,871)		(219,379)	
	$1,491,893	99.4%	$1,466,714	99.6%	$1,428,880	98.1%
Development in progress	2,831	0.2%	0	0.0%	22,856	1.6%
Unimproved land	6,007	0.4%	5,701	0.4%	3,901	0.3%
Mortgage loans receivable	158	0.0%	160	0.0%	541	0.0%
Total real estate investments	$1,500,889	100.0%	$1,472,575	100.0%	$1,456,178	100.0%

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Summary of Individual Properties Owned as of April 30, 2010

The following table presents information regarding our 251 properties owned as of April 30, 2010. 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.

* = 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)	Fiscal 2010 Physical Occupancy
MULTI-FAMILY RESIDENTIAL			
17 South Main - Minot, ND	4	$ 222	100.0 %
Apartments on Main - Minot, ND	10	1,297	100.0 %
Arbors Apartments - S Sioux City, NE	192	7,662	81.3 %
Boulder Court - Eagan, MN	115	8,445	90.4 %
Brookfield Village Apartments - Topeka, KS	160	8,081	96.3 %
Candlelight Apartments - Fargo, ND	66	1,883	97.0 %
Canyon Lake Apartments - Rapid City, SD	109	4,746	95.4 %
Castle Rock - Billings, MT	165	6,942	86.1 %
Chateau Apartments - Minot, ND	64	3,489	100.0 %
Cimarron Hills - Omaha, NE	234	13,572	82.1 %
Colonial Villa - Burnsville, MN	240	16,239	72.5 %
Colton Heights Properties - Minot, ND	18	1,061	100.0 %
Cottonwood Community - Bismarck, ND	268	20,768	94.4 %
Country Meadows Community - Billings, MT	134	9,185	87.3 %
Crestview Apartments - Bismarck, ND	152	5,405	99.3 %
Crown Apartments - Rochester, MN	48	3,550	93.8 %
Crown Colony Apartments - Topeka, KS	220	12,143	93.2 %
Dakota Hill at Valley Ranch - Irving, TX	504	39,885	93.5 %
East Park Apartments - Sioux Falls, SD	84	3,083	88.1 %
Evergreen Apartments - Isanti, MN	36	3,156	66.7 %
Forest Park Estates - Grand Forks, ND	270	11,288	79.3 %
Greenfield Apartments - Omaha, NE	96	5,005	92.7 %
Heritage Manor - Rochester, MN	182	8,948	93.4 %
Indian Hills Apartments - Sioux City, IA	120	5,787	95.0 %
IRET Corporate Plaza Apartments - Minot, ND	71	15,589	98.6 %
Kirkwood Manor - Bismarck, ND	108	4,481	99.1 %
Lancaster Place - St. Cloud, MN	84	3,956	79.8 %
Landmark Estates - Grand Forks, ND	90	2,495	96.7 %
Legacy Community - Grand Forks, ND	358	28,003	95.3 %
Magic City Apartments - Minot, ND	200	5,868	97.5 %
Meadows Community - Jamestown, ND	81	6,106	95.1 %
Minot 11th Street 3-Plex - Minot, ND	3	69	100.0 %
Minot 4th Street 4-Plex, Minot ND	4	90	100.0 %
Minot Fairmont Apartments - Minot, ND	12	366	100.0 %
Minot Westridge Apartments - Minot, ND	33	1,977	100.0 %

Miramont Apartments - Fort Collins, CO	210	15,536	96.2	%
Monticello Apartments - Monticello, MN	60	4,569	88.3	%
Neighborhood Apartments - Colorado Springs, CO	192	13,926	93.8	%
North Pointe - Bismarck, ND	49	2,606	98.0	%
Northern Valley - Rochester, MN	16	720	100.0	%
Oakmont Apartments - Sioux Falls, SD	80	5,481	85.0	%
Oakwood - Sioux Falls, SD	160	6,739	86.3	%
Olympic Village - Billings, MT	274	13,301	93.8	%

Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
MULTI-FAMILY RESIDENTIAL - continued			
Olympik Village Apartments - Rochester, MN	140	$ 7,925	82.1 %
Oxbow - Sioux Falls, SD	120	5,753	84.2 %
Park Meadows Community - Waite Park, MN	360	14,709	84.7 %
Pebble Springs - Bismarck, ND	16	849	93.8 %
Pinecone Apartments - Fort Collins, CO	195	14,424	92.8 %
Pinehurst Apartments - Billings, MT	21	868	100.0 %
Pointe West - Rapid City, SD	90	4,932	96.7 %
Prairie Winds Apartments - Sioux Falls, SD	48	2,313	77.1 %
Prairiewood Meadows - Fargo, ND	85	3,702	92.9 %
Quarry Ridge Apartments - Rochester, MN	154	14,900	85.1 %
Ridge Oaks - Sioux City, IA	132	5,855	97.0 %
Rimrock Apartments - Billings, MT	78	4,979	91.0 %
Rocky Meadows - Billings, MT	98	7,154	90.8 %
Rum River Apartments - Isanti, MN	72	5,688	70.8 %
SCSH Campus Center Apartments - St. Cloud, MN	90	2,744	100.0 %
SCSH Campus Heights Apartments - St. Cloud, MN	49	757	73.5 %
SCSH Campus Knoll Apartments - St. Cloud, MN	71	1,821	95.8 %
SCSH Campus Plaza Apartments - St. Cloud, MN	24	383	75.0 %
SCSH Campus Side Apartments - St. Cloud, MN	48	767	93.8 %
SCSH Campus View Apartments - St. Cloud, MN	48	765	95.8 %
SCSH Cornerstone Apartments - St. Cloud, MN	24	389	75.0 %
SCSH University Park Place Apartments - St. Cloud, MN	35	546	82.9 %
Sherwood Apartments - Topeka, KS	300	18,024	96.0 %
South Pointe - Minot, ND	195	11,910	99.0 %
Southbrook & Mariposa - Topeka, KS	54	5,800	96.3 %
Southview Apartments - Minot, ND	24	926	95.8 %
Southwind Apartments - Grand Forks, ND	164	7,420	84.1 %
Sunset Trail - Rochester, MN	146	15,050	82.9 %
Sycamore Village Apartments - Sioux Falls, SD	48	1,818	58.3 %
Terrace On The Green - Moorhead, MN	116	3,398	93.1 %
Thomasbrook Apartments - Lincoln, NE	264	13,432	88.6 %
Valley Park Manor - Grand Forks, ND	168	6,344	93.5 %
Village Green - Rochester, MN	36	2,949	97.2 %
West Stonehill - Waite Park, MN	313	15,009	86.9 %
Westwood Park - Bismarck, ND	64	3,489	82.8 %
Winchester - Rochester, MN	115	7,514	92.2 %
Woodridge Apartments - Rochester, MN	110	7,841	90.0 %
TOTAL MULTI-FAMILY RESIDENTIAL	9,691	$ 556,867	90.2 %

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL OFFICE			
1st Avenue Building - Minot, ND	15,446	$ 698	28.7 %
2030 Cliff Road - Eagan, MN	13,374	1,071	100.0 %
610 Business Center IV - Brooklyn Park II, MN	78,190	9,403	100.0 %
7800 West Brown Deer Road - Milwaukee, WI	175,610	12,232	97.8 %
American Corporate Center - Mendota Heights, MN	138,959	20,871	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	22,934	2,011	0.0 %
Bloomington Business Plaza - Bloomington, MN	121,064	8,103	53.0 %
Brenwood - Minnetonka, MN	176,789	16,827	77.9 %
Brook Valley I - La Vista, NE	30,000	2,099	83.4 %
Burnsville Bluffs II - Burnsville, MN	45,158	3,352	88.8 %
Cold Spring Center - St. Cloud, MN	77,634	9,147	94.0 %
Corporate Center West - Omaha, NE	141,724	21,692	100.0 %
Crosstown Centre - Eden Prairie, MN	185,000	17,978	100.0 %
Dewey Hill Business Center - Edina, MN	73,338	5,412	35.7 %
Farnam Executive Center - Omaha, NE	94,832	13,592	100.0 %
Flagship - Eden Prairie, MN	138,825	24,247	95.6 %
Gateway Corporate Center - Woodbury, MN	59,827	9,489	100.0 %
Golden Hills Office Center - Golden Valley, MN	190,758	24,240	96.5 %
Great Plains - Fargo, ND	122,040	15,376	100.0 %
Highlands Ranch - Highlands Ranch, CO	81,173	11,916	54.7 %
Highlands Ranch I - Highlands Ranch, CO	71,430	10,638	100.0 %
Interlachen Corporate Center - Edina, MN	105,084	16,994	20.3 %
Intertech Building - Fenton, MO	64,607	6,101	86.5 %
IRET Corporate Plaza - Minot, ND	49,876	8,966	43.2 %
Mendota Office Center I - Mendota Heights, MN	59,852	7,343	94.4 %
Mendota Office Center II - Mendota Heights, MN	88,398	12,581	85.1 %
Mendota Office Center III - Mendota Heights, MN	60,776	6,957	84.4 %
Mendota Office Center IV - Mendota Heights, MN	72,231	9,283	100.0 %
Minnesota National Bank - Duluth, MN	17,108	1,745	42.4 %
Minot 2505 16th Street SW - Minot, ND	15,000	2,096	100.0 %
Miracle Hills One - Omaha, NE	83,448	13,041	95.0 %
Nicollett VII - Burnsville, MN	118,125	7,500	91.3 %
Northgate I - Maple Grove, MN	79,297	8,242	100.0 %
Northgate II - Maple Grove, MN	26,000	2,445	100.0 %
Northpark Corporate Center - Arden Hills, MN	146,087	17,609	32.6 %
Pacific Hills - Omaha, NE	143,075	17,354	94.6 %
Pillsbury Business Center - Bloomington, MN	42,220	1,942	38.3 %
Plaza VII - Boise, ID	28,994	3,772	54.2 %
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	6,056	88.6	%
Rapid City 900 Concourse Drive - Rapid City, SD	75,815	7,161	100.0	%
Riverport - Maryland Heights, MO	122,567	20,885	100.0	%
Southeast Tech Center - Eagan, MN	58,300	6,354	30.4	%
Spring Valley IV - Omaha, NE	15,700	1,154	100.0	%
Spring Valley V - Omaha, NE	24,171	1,558	100.0	%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL OFFICE - continued			
Spring Valley X - Omaha, NE	24,000	$ 1,236	80.0 %
Spring Valley XI - Omaha, NE	24,000	1,273	100.0 %
Superior Office Building - Duluth, MN	20,000	2,538	100.0 %
TCA Building - Eagan, MN	103,640	9,928	80.4 %
Three Paramount Plaza - Bloomington, MN	75,526	9,186	63.6 %
Thresher Square - Minneapolis, MN	117,144	12,658	32.8 %
Timberlands - Leawood, KS	90,388	15,052	76.6 %
UHC Office - International Falls, MN	30,000	2,565	100.0 %
US Bank Financial Center - Bloomington, MN	153,947	17,032	90.7 %
Viromed - Eden Prairie, MN	48,700	4,864	100.0 %
Wells Fargo Center - St Cloud, MN	86,192	10,178	96.0 %
West River Business Park - Waite Park, MN	24,075	1,476	87.5 %
Westgate - Boise, ID	103,342	13,298	100.0 %
Whitewater Plaza - Minnetonka, MN	61,138	5,826	65.1 %
Wirth Corporate Center - Golden Valley, MN	74,568	9,402	95.2 %
Woodlands Plaza IV - Maryland Heights, MO	61,820	6,065	90.2 %
TOTAL COMMERCIAL OFFICE	5,015,959	$ 582,943	83.4 %

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL MEDICAL			
2800 Medical Building - Minneapolis, MN	53,750	$ 9,357	94.9 %
2828 Chicago Avenue - Minneapolis, MN	56,239	17,669	100.0 %
Airport Medical - Bloomington, MN*	24,218	4,678	100.0 %
Barry Pointe Office Park - Kansas City, MO	18,502	2,846	92.6 %
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN	53,466	8,610	100.0 %
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN	36,199	5,850	100.0 %
Casper 1930 E 12th Street (Park Place) - Casper, WY	65,160	6,219	100.0 %
Casper 3955 E 12th Street (Meadow Wind) - Casper, WY	35,629	6,219	100.0 %
Cheyenne 4010 N College Drive (Aspen Wind) - Cheyenne, WY	47,509	10,497	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 %
Eagen 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	168,801	21,842	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	606	100.0	%
Edgewood Vista - Hermantown I, MN	119,349	11,661	100.0	%
Edgewood Vista - Hermantown II, MN	160,485	11,269	100.0	%
Edgewood Vista - Kalispell, MT	5,895	624	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	%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL MEDICAL - continued			
Edgewood Vista - Sioux Falls, SD	11,800	$ 1,288	100.0 %
Edgewood Vista - Spearfish, SD	60,161	6,157	100.0 %
Edgewood Vista - Virginia, MN	147,183	12,145	100.0 %
Edina 6363 France Medical - Edina, MN*	70,934	12,695	63.7 %
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	14,752	100.0 %
Edina 6545 France SMC I - Edina MN*	227,626	44,811	90.0 %
Fox River Cottages - Grand Chute, WI	26,336	3,807	0.0 %
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	12,795	63.8 %
Laramie 1072 N 22nd Street (Spring Wind) - Laramie, WY	35,629	7,040	100.0 %
Mariner Clinic - Superior, WI*	28,928	3,802	100.0 %
Minneapolis 701 25th Avenue Medical - Minneapolis, MN*	57,212	7,873	96.5 %
Nebraska Orthopedic Hospital - Omaha, NE*	61,758	20,512	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	19,325	100.0 %
Ritchie Medical Plaza - St Paul, MN	52,116	10,322	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	2,592,958	$ 430,229	95.1 %

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL INDUSTRIAL			
API Building - Duluth, MN	35,000	$ 1,723	100.0 %
Bloomington 2000 W 94th Street - Bloomington, MN	100,850	6,245	71.5 %
Bodycote Industrial Building - Eden Prairie, MN	41,880	2,151	100.0 %
Cedar Lake Business Center - St. Louis Park, MN	50,400	3,752	100.0 %
Clive 2075 NW 94th Street - Clive, IA	42,510	3,067	100.0 %
Dixon Avenue Industrial Park - Des Moines, IA	604,886	13,214	80.9 %

Eagan 2785 & 2795 Highway 55 - Eagan, MN	198,600	5,628	100.0	%
Lexington Commerce Center - Eagan, MN	90,260	6,484	90.8	%
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	10,712	77.0	%
Stone Container - Fargo, ND	195,075	7,141	100.0	%
Stone Container - Roseville, MN	229,072	8,250	100.0	%
Urbandale 3900 106th Street - Urbandale, IA	528,353	14,138	98.1	%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL INDUSTRIAL - continued			
Waconia Industrial Building - Waconia, MN	29,440	$ 2,040	100.0 %
Wilson's Leather - Brooklyn Park, MN	357,111	14,208	82.7 %
Winsted Industrial Building - Winsted, MN	41,685	1,049	100.0 %
Woodbury 1865 Woodlane - Woodbury, MN	69,600	5,353	100.0 %
TOTAL COMMERCIAL INDUSTRIAL	2,965,675	$ 113,249	90.8 %

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2010 Physical Occupancy
COMMERCIAL RETAIL			
17 South Main - Minot, ND	2,454	$ 287	100.0 %
Anoka Strip Center - Anoka, MN	10,625	744	47.1 %
Burnsville 1 Strip Center - Burnsville, MN	8,526	1,186	87.1 %
Burnsville 2 Strip Center - Burnsville, MN	8,400	962	87.5 %
Champlin South Pond - Champlin, MN	26,020	3,592	84.5 %
Chan West Village - Chanhassen, MN	137,572	21,423	93.3 %
Dakota West Plaza - Minot , ND	16,921	613	94.9 %
Duluth Denfeld Retail - Duluth, MN	37,617	4,990	76.9 %
Duluth NAPA - Duluth, MN	15,582	1,933	100.0 %
Eagan Community - Eagan, MN	23,187	3,148	89.3 %
East Grand Station - East Grand Forks, MN	16,103	1,694	33.9 %
Fargo Express Community - Fargo, ND	34,226	1,915	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	5,720	93.1 %
Jamestown Buffalo Mall - Jamestown, ND	213,271	6,183	84.2 %
Jamestown Business Center - Jamestown, ND	100,249	2,619	92.0 %
Kalispell Retail Center - Kalispell, MT	52,000	3,473	100.0 %
Kentwood Thomasville Furniture - Kentwood, MI	16,080	1,416	100.0 %
Ladysmith Pamida - Ladysmith, WI	41,000	682	0.0 %
Lakeville Strip Center - Lakeville, MN	9,488	1,991	87.4 %
Livingston Pamida - Livingston, MT	41,200	1,800	100.0 %
Minot Arrowhead - Minot, ND	77,912	7,221	99.3 %
Minot Plaza - Minot, ND	10,843	624	100.0 %
Monticello C Store - Monticello, MN	3,575	893	100.0 %
Omaha Barnes & Noble - Omaha, NE	26,985	3,699	100.0 %
Pine City C-Store - Pine City, MN	4,800	442	100.0 %

Pine City Evergreen Square - Pine City, MN	63,225		3,382	75.2	%
Rochester Maplewood Square - Rochester, MN	118,398		12,359	47.9	%
St. Cloud Westgate - St. Cloud, MN	104,928		6,840	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	1,456,702	$	117,231	80.5	%
SUBTOTAL		$	1,800,519		

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Property Name and Location		(in thousands) Investment (initial cost plus improvements)
UNIMPROVED LAND		
Bismarck 2130 S 12th St - Bismarck, ND		$ 588
Bismarck 700 E Main - Bismarck, ND		855
Eagan Unimproved Land - Eagan, MN		423
IRET Corporate Plaza Outlot - Minot, ND		572
Kalispell Unimproved Land - Kalispell, MT		1,424
Monticello Unimproved Land - Monticello, MN		97
Quarry Ridge Unimproved Land - Rochester, MN		942
River Falls Unimproved Land - River Falls, WI		181
Urbandale Unimproved Land - Urbandale, IA		113
Weston Unimproved Land - Weston, WI		812
TOTAL UNIMPROVED LAND		$ 6,007
DEVELOPMENT IN PROGRESS		
Fargo 1320 45th Street N - Fargo, ND		$ 2,831
TOTAL DEVELOPMENT IN PROGRESS		$ 2,831
TOTAL UNITS – RESIDENTIAL SEGMENT	9,691	
TOTAL SQUARE FOOTAGE – COMMERCIAL SEGMENTS	12,031,294	
TOTAL INVESTMENTS		$ 1,809,357

Mortgages Payable

As of April 30, 2010, individual first mortgage loans on the above properties totaled $1.0 billion. Of the $1.1 billion total of mortgage indebtedness on April 30, 2010, $29.0 million, or 2.7%, 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, 2010	Mortgage Principal (in thousands)
2011	$ 107,314
2012	117,615
2013	48,109
2014	61,752
2015	91,955
Thereafter	630,874
Total	$ 1,057,619

Future Minimum Lease Receipts

The future minimum lease receipts to be received under leases for commercial properties in place as of April 30, 2010, assuming that no options to renew or buy out the leases are exercised, are as follows:

Year Ended April 30,	Lease Payments (in thousands)
2011	$ 115,837
2012	103,527
2013	91,464
2014	79,490
2015	64,830
Thereafter	270,014
Total	$ 725,162

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, 2010, we spent approximately $29.3 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, 2010, 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	2010	2009	2008
Edgewood Vista-Belgrade, MT	$2,135	$196	$196	$31
Edgewood Vista-Billings, MT	4,274	396	396	66
Edgewood Vista-Bismarck, ND	10,903	1,008	1,008	985
Edgewood Vista-Brainerd, MN	10,667	988	988	971
Edgewood Vista-Columbus, NE	1,481	136	136	21
Edgewood Vista-East Grand Forks, MN	4,996	465	464	78
Edgewood Vista-Fargo, ND	26,322	2,387	2,065	310
Edgewood Vista-Fremont, NE	588	72	72	69
Edgewood Vista-Grand Island, NE	1,431	132	132	20
Edgewood Vista-Hastings, NE	606	76	76	69
Edgewood Vista-Hermantown I, MN	21,510	2,359	2,040	1,557
Edgewood Vista-Hermantown II, MN	12,359	1,144	1,144	1,127
Edgewood Vista-Kalispell, MT	624	76	76	72
Edgewood Vista-Missoula, MT	999	96	96	132
Edgewood Vista-Norfolk, NE	1,332	124	124	19
Edgewood Vista-Omaha, NE	676	80	80	77
Edgewood Vista-Sioux Falls, SD	3,353	312	312	52
Edgewood Vista-Spearfish, SD	6,792	628	628	612
Edgewood Vista-Virginia, MN	17,132	2,008	1,736	1,381
Fargo 1320 45th Street N - Fargo, ND	1,164	0	0	0
Fox River Cottages - Grand Chute, WI	3,808	0	388	387
Great Plains - Fargo, ND	15,375	1,876	1,876	1,876
Healtheast St John & Woodwinds - Maplewood & Woodbury, MN	21,601	2,152	2,052	2,032
Minnesota National Bank - Duluth, MN	2,104	164	211	205
Sartell 2000 23rd Street S -Sartell, MN	12,693	1,173	1,292	1,292
St. Michael Clinic - St. Michael, MN	2,851	241	240	229
Stevens Point - Stevens Point, WI	15,020	1,356	1,356	1,279
Total	$202,796	$19,645	$19,184	$14,949

Properties by State

The following table presents, as of April 30, 2010, 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:

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(in thousands)

State	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments	% of All Segments
Minnesota	$121,364	$302,449	$254,691	$65,604	$63,203	$ 807,311	54.1 %
North Dakota	112,117	24,377	29,399	5,036	21,217	192,146	12.9 %
Nebraska	32,576	73,240	21,274	0	2,576	129,666	8.7 %
Colorado	29,805	20,154	0	0	0	49,959	3.4 %
Kansas	34,589	13,704	0	0	0	48,293	3.2 %
Montana	31,580	0	3,769	0	4,465	39,814	2.7 %
Wyoming	0	0	37,791	0	0	37,791	2.5 %
Iowa	9,729	0	0	27,128	0	36,857	2.5 %
South Dakota	24,621	5,496	6,717	0	0	36,834	2.5 %
Wisconsin	0	10,074	20,292	0	4,055	34,421	2.3 %
Missouri	0	30,607	2,655	0	0	33,262	2.2 %
Texas	30,564	0	0	0	0	30,564	2.0 %
All Other States*	0	14,186	0	0	789	14,975	1.0 %
Total	$426,945	$494,287	$376,588	$97,768	$96,305	$ 1,491,893	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, 2010, the last reported sales price per share of our common shares on the NASDAQ was $8.83. 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 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

Quarter Ended	High	Low	Distributions Declared (per share and unit)
Fiscal Year 2009			
April 30, 2009	$10.43	$8.60	$ 0.1700
January 31, 2009	10.71	7.43	0.1695
October 31, 2008	11.19	7.66	0.1690
July 31, 2008	10.68	9.54	0.1685

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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, 2010, the Company had 3,868 common shareholders of record, and 76,250,752 common shares of beneficial interest (plus 20,283,770 limited partnership units potentially convertible into 20,283,770 common shares) were outstanding.

Unregistered Sales of Shares

Sales of Unregistered Securities. During the fiscal years ended April 30, 2010, 2009 and 2008, respectively, we issued an aggregate of 431,737, and 338,286 and 389,670 unregistered common shares to holders of limited partnership units of IRET Properties upon redemption and conversion of an aggregate of 431,737, and 338,286 and 389,670 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 2010, 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, 2005, and ending April 30, 2010, 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, 2005, the last trading day of fiscal year 2005, $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.

	FY05	FY06	FY07	FY08	FY09	FY10
Investors Real Estate Trust	100.00	112.07	133.47	138.21	133.94	136.34
S&P 500	100.00	115.42	133.00	126.78	82.01	113.87
FTSE NAREIT Equity REITs	100.00	126.58	160.08	140.04	72.52	122.34

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)				
	2010	2009	2008	2007	2006
Consolidated Income Statement Data					
Revenue	$242,775	$240,005	$221,170	$197,538	$170,171
Gain on sale of real estate, land, and other investments	$68	$54	$556	$4,602	$3,293
Income from continuing operations	$4,585	$10,713	$15,063	$14,217	$11,142
Discontinued Operations	$0	$0	$566	$4,166	$3,614
Net income	$4,585	$10,713	$15,629	$18,383	$14,756
Net income attributable to noncontrolling interests – Operating Partnership	$(562)	$(2,227)	$(3,677)	$(4,299)	$(2,705)
Net income attributable to Investors Real Estate Trust	$4,001	$8,526	$12,088	$14,110	$11,567
Consolidated Balance Sheet Data					
Total real estate investments	$1,500,889	$1,472,575	$1,456,178	$1,316,534	$1,126,400
Total assets	$1,660,930	$1,605,091	$1,618,026	$1,435,389	$1,207,315
Mortgages payable	$1,057,619	$1,070,158	$1,063,858	$951,139	$765,890
Total Investors Real Estate Trust shareholders' equity	$409,523	$333,009	$344,074	$284,810	$289,422
Consolidated Per Common Share Data (basic and diluted)					
Income from continuing operations - Investors Real Estate Trust	$.03	$.11	$.17	$.18	$.14
Income from discontinued operations - Investors Real Estate Trust	$.00	$.00	$.01	$.06	$.06
Net income	$.03	$.11	$.18	$.24	$.20
Distributions	$.68	$.68	$.67	$.66	$.65

CALENDAR YEAR	2009	2008	2007	2006	2005
Tax status of distributions					
Capital gain	0.09%	0.00%	1.49%	1.22%	16.05%
Ordinary income	39.17%	53.43%	51.69%	42.01%	41.48%
Return of capital	60.74%	46.57%	46.82%	56.77%	42.47%

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, 2010.

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, 2010, our real estate portfolio consisted of 78 multi-family residential properties containing 9,691 apartment units and having a total real estate investment amount net of accumulated depreciation of $426.9 million, and 173 commercial properties containing approximately 12.0 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:

- 67 commercial office properties containing approximately 5.0 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $494.3 million;

- 54 commercial medical properties (including senior housing) containing approximately 2.6 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $376.6 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 $97.8 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 $96.3 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 $2.8 million to $242.8 million in fiscal year 2010, compared to $240.0 million in fiscal year 2009. 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, 2010 lowered our operating revenues by approximately $3.3 million, compared to $3.4 million for fiscal year 2009. Expenses increased during fiscal year 2010, with real estate taxes, insurance, maintenance 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 87.4% in fiscal year 2010 from 91.0% in fiscal year 2009. 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 decreased to 90.2% in fiscal year 2010 on an all-property basis, from 92.9% in fiscal year 2009.

During fiscal year 2010, we continued to pursue our announced goal of transferring the management of the majority of our commercial and multi-family residential properties from third-party property management companies to our own employees. As of April 30, 2010, the Company had under internal management a total of 120 properties in its commercial office, commercial medical, commercial industrial and commercial retail segments, totaling approximately 7.5 million square feet. Approximately 52.2% of the properties in the Company's commercial office segment, 75.9% of the properties in its commercial medical segment, 73.7% of the properties in its commercial industrial segment, and 90.9% of the properties in its commercial retail segment, were internally managed by Company employees as of April 30, 2010. IRET continues to evaluate its portfolio of commercial properties to determine additional suitable candidates for internal management, and to establish appropriate timelines to accomplish the transfers.

The transition to internal management in the Company's multi-family residential segment was a significant focus of Company resources and management efforts during fiscal year 2010. As of April 30, 2010, approximately 39.7% of the properties in the Company's multi-family residential segment were internally managed by Company employees, or approximately 3,963 units in 31 properties. During fiscal year 2010, the Company added a significant number of new employees, many of whom were hired to work in multi-family residential property management. As of April 30, 2010, the Company had 218 employees, of which 191 were full-time and 27 part-time employees; of these 218 employees, 49 are corporate staff in our Minot, North Dakota and Eden Prairie, Minnesota offices, and 169 are property management employees based at our properties or in local property management offices. These additions to staff, and associated investments in equipment, accounting and other support systems, represent a significant expense to the Company, which is reflected in an increase in property management expense attributable to the Company's internal property management initiative of approximately $1.4 million for the twelve months ended April 30, 2010,

primarily in the multi-family residential segment.

IRET's fiscal year 2010 results reflect the continuing challenges the real estate industry faced during the twelve months ended April 30, 2010, and worsening conditions in IRET's multi-family residential segment in particular. During the year, factors adversely affecting demand for IRET’s commercial and multi-family properties continued to be pervasive across the United States and in IRET’s markets, with commercial tenants continuing to focus on reducing costs through space reductions and lower rents. Additionally, continued job losses pressured occupancy and revenue in the Company’s multi-family residential segment. We expect current credit market

conditions and the continued high level of unemployment to maintain or increase credit stresses on Company tenants, and continue to expect this tenant stress to lead to increases in past due accounts and vacancies.

Additional information and more detailed discussions of our fiscal year 2010 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, possible impairment is evaluated 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 $257,000 as of April 30, 2010) 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 receivables arising from the straight-lining of rents (approximately $912,000 as of April 30, 2010) and from mortgage loans (approximately $3,000 as of April 30, 2010). 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 year 2010, the Company's TRS had a small net operating loss. There were no income tax provisions or material deferred income tax items for our TRS for the fiscal year ended April 30, 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; that the Company’s tax and accounting positions do not change; and that the number of issued and outstanding shares of the Company’s common stock remain relatively unchanged. 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 2010 were $242.8 million, compared to $240.0 million in fiscal year 2009 and $221.2 million in fiscal year 2008. Revenues during fiscal year 2010 were $2.8 million greater than revenues in fiscal year 2009 and revenues during fiscal year 2009 were $18.8 million greater than in fiscal year 2008.

For fiscal 2010, the increase in revenue of $2.8 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 in all segments	(3,707)
	$ 2,770

For fiscal 2009, the increase in revenue of $18.8 million resulted from:

	(in thousands)
Rent from 24 properties acquired in fiscal year 2008 in excess of that received in 2008 from the same 24 properties	$ 15,431
Rent from 9 properties acquired in fiscal year 2009	2,093
Increase in rental income on stabilized properties due primarily to increase in rents in our multi-family residential and commercial medical segments	1,311
	$ 18,835

As illustrated above, the majority of the increase in our gross revenue for fiscal years 2010 and 2009 ($6.5 million and $17.5 million respectively) resulted from the addition of new real estate properties to the IRET Properties' portfolio. Rental Revenue in fiscal year 2010 from stabilized properties decreased $3.7 million, while fiscal year 2009 resulted in an increase in these same stabilized properties of $1.3 million. For the next 12 months, we continue to look to acquisitions 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. Additionally, financial markets continue to experience volatility and uncertainty, with liquidity continuing to be constrained in the debt markets in particular. Consequently, there is ongoing uncertainty regarding our ability to identify acquisition targets and to access the credit markets in order to attract financing on reasonable terms, 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 2010 of approximately $68,000. This compares to approximately $54,000 of gain on sale of real estate recognized in fiscal 2009 and approximately $556,000 recognized in fiscal 2008.

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 2010, 2009 and 2008. For a reconciliation of net operating income of reportable segments to operating 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 and in operation for the entirety of the periods being compared (including properties that were redeveloped or expanded during the periods being compared, with properties purchased or sold during the periods being compared excluded from the stabilized property category). 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, 2010	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
Real estate revenue	$76,430	$82,079	$57,459	$13,304	$13,503	$242,775
Real estate expenses						
Utilities	7,245	7,192	2,937	185	499	18,058
Maintenance	10,763	11,128	4,210	758	1,349	28,208
Real estate taxes	7,547	14,155	5,046	2,593	2,188	31,529
Insurance	1,949	1,052	479	228	197	3,905
Property management	10,208	3,320	5,232	435	646	19,841
Total real estate expenses	$37,712	$36,847	$17,904	$4,199	$4,879	$101,541
Gain on involuntary conversion	1,660	0	0	0	0	1,660
Net operating income	$40,378	$45,232	$39,555	$9,105	$8,624	$142,894
Stabilized net operating income	$36,829	$45,301	$37,216	$8,486	$8,624	$136,456
Non-stabilized net operating income	3,549	(69)	2,339	619	0	6,438
Total net operating income	$40,378	$45,232	$39,555	$9,105	$8,624	$142,894

			(in thousands)			
Year Ended April 30, 2009	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
Real estate revenue	$76,716	$83,446	$52,564	$12,711	$14,568	$240,005
Real estate expenses						

Utilities	7,724	7,851	2,859	93	448	18,975
Maintenance	10,240	11,287	4,046	582	1,448	27,603
Real estate taxes	7,972	13,850	4,515	1,926	2,180	30,443
Insurance	1,272	1,003	419	175	182	3,051
Property management	8,954	3,653	4,207	446	819	18,079
Total real estate expenses	$36,162	$37,644	$16,046	$3,222	$5,077	$ 98,151
Net operating income	$40,554	$45,802	$36,518	$9,489	$9,491	$ 141,854
Stabilized net operating income	$39,593	$45,713	$35,946	$9,371	$9,491	$ 140,114
Non-stabilized net operating income	961	89	572	118	0	1,740
Total net operating income	$40,554	$45,802	$36,518	$9,489	$9,491	$ 141,854

	(in thousands)					
Year Ended April 30, 2008	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
Real estate revenue	$72,827	$84,042	$38,412	$11,691	$14,198	$ 221,170
Real estate expenses						
Utilities	7,388	7,743	2,111	131	420	17,793
Maintenance	9,637	10,522	2,757	558	1,108	24,582
Real estate taxes	7,528	13,140	2,977	1,346	2,142	27,133
Insurance	1,162	901	257	135	169	2,624
Property management	8,922	3,900	1,654	359	438	15,273
Total real estate expenses	$34,637	$36,206	$9,756	$2,529	$4,277	$ 87,405
Net operating income	$38,190	$47,836	$28,656	$9,162	$9,921	$ 133,765
Stabilized net operating income	$37,332	$47,536	$26,909	$7,576	$9,921	$ 129,274
Non-stabilized net operating income	858	300	1,747	1,586	0	4,491
Total net operating income	$38,190	$47,836	$28,656	$9,162	$9,921	$ 133,765

Changes in Expenses and Net Income

Net income available to common shareholders for fiscal year 2010 was $1.6 million, compared to $6.2 million in fiscal year 2009 and $9.7 million in fiscal year 2008. On a per common share basis, net income was $.03 per common share in fiscal year 2010, compared to $.11 per common share in fiscal year 2009 and $.18 in fiscal year 2008.

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 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
An increase in gain on sale of other investments	14
These increases were offset by:	
An increase in depreciation/amortization expense related to real estate investments	(2,747)
An increase in other expenses, administrative, advisory and trustee services	(2,409)
An increase in impairment of real estate investment	(1,340)
A decrease in net operating income primarily due to vacancy on stabilized properties	(620)
An increase in interest expense primarily due to debt placed on new acquisitions	(363)
An increase in amortization related to non-real estate investments	(302)
A decrease in interest income	(62)
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)

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Changes in net income available to common shareholders for fiscal year 2009 resulted from:

	(in thousands)
An increase in net operating income primarily due to new acquisitions	$ 8,089
A decrease in net income attributable to noncontrolling interests - Operating Partnership	1,450
A decrease in other expenses, administrative, advisory and trustee services	225
An increase in gain on sale of other investments	12
These increases were offset by:	
An increase in interest expense primarily due to debt placed on new acquisitions	(5,304)
An increase in depreciation/amortization expense related to real estate investments	(4,604)
A decrease in interest income	(1,487)
An increase in amortization related to non-real estate investments	(592)
A decrease in income from discontinued operations, net	(566)
A decrease in other income	(351)
An increase in impairment of real estate investment	(338)
A decrease in net loss attributable to noncontrolling interests - consolidated real estate entities	(96)
Total decrease in fiscal 2009 net income available to common shareholders	$ (3,562)

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 Fiscal Year Ended April 30,		All Properties Fiscal Year Ended April 30,	
Segments	2010	2009	2010	2009
Multi-Family Residential	90.2%	93.2%	90.2%	92.9%
Commercial Office	84.2%	87.4%	83.4%	87.4%
Commercial Medical	94.5%	95.6%	95.1%	95.0%
Commercial Industrial	90.4%	96.9%	90.8%	97.0%
Commercial Retail	80.5%	85.1%	80.5%	85.1%

- 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 lowered our operating revenues by approximately $3.3 million, as compared to an approximately $3.4 million reduction in operating revenues attributable to rent concessions offered in fiscal year 2009.

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	$2,059	$2,083	$(24)
Commercial Office	747	1,036	(289)
Commercial Medical	381	34	347
Commercial Industrial	99	220	(121)
Commercial Retail	27	44	(17)
Total	$3,313	$3,417	$(104)

- Increased Maintenance Expense. Maintenance expenses totaled $28.2 million in fiscal year 2010, compared to $27.6 million in fiscal year 2009. Maintenance expenses at properties newly acquired in fiscal years 2010 and 2009 added approximately $422,000 to the maintenance expense category during fiscal year 2010, while maintenance expenses at existing properties increased by approximately $183,000, primarily for payroll and taxes and vehicle expenses at our multi-family residential segment resulting in a net increase of approximately $605,000 million or 2.2% 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	$10,763	$11,128	$4,210	$758	$1,349	$28,208
2009	$10,240	$11,287	$4,046	$582	$1,448	$27,603
Change	$523	$(159)	$164	$176	$(99)	$605
% change (2010 vs. 2009)	5.1%	(1.4%)	4.1%	30.2%	(6.8%)	2.2%
Stabilized	$382	$(186)	$(90)	$176	$(99)	$183
Non-stabilized	$141	$27	$254	$0	$0	$422
Change	$523	$(159)	$164	$176	$(99)	$605

- Decreased Utility Expense. Utility expense totaled $18.1 million in fiscal year 2010, compared to $19.0 million in fiscal year 2009. Utility expenses at properties newly acquired in fiscal years 2010 and 2009 added $317,000 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 $1.2 million, primarily due in part to decreased heating costs compared to last year'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 $917,000 or 4.8% 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	$7,245	$ 7,192	$ 2,937	$ 185	$ 499	$ 18,058
2009	$7,724	$ 7,851	$ 2,859	$ 93	$ 448	$ 18,975
Change	$(479)	$ (659)	$ 78	$ 92	$ 51	$ (917)
% change (2010 vs. 2009)	(6.2 %)	(8.4 %)	2.7 %	98.9 %	11.4 %	(4.8 %)
Stabilized	$(463)	$ (682)	$ (233)	$ 93	$ 51	$ (1,234)
Non-stabilized	$(16)	$ 23	$ 311	$ (1)	$ 0	$ 317
Change	$(479)	$ (659)	$ 78	$ 92	$ 51	$ (917)

• Decreased Mortgage Interest Expense. Our mortgage interest expense decreased approximately $902,000, or 1.3%, to approximately $67.1 million during fiscal year 2010, compared to $68.0 million in fiscal year 2009. Mortgage interest expense for properties newly acquired in fiscal years 2010 and 2009 added $887,000 to our total mortgage interest expense in fiscal year 2010, while mortgage interest expense on existing properties decreased $1.8 million. Our overall weighted average interest rate on all outstanding mortgage debt was 6.17% as of April 30, 2010, compared to 6.30% as of April 30, 2009. Our mortgage debt decreased approximately $12.5 million, or 1.2%, to approximately $1.1 billion as of April 30, 2010, compared to April 30, 2009.

Mortgage interest 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	$19,781	$22,864	$17,023	$3,937	$3,459	$67,064
2009	$19,696	$23,658	$16,870	$3,803	$3,939	$67,966
Change	$85	$(794)	$153	$134	$(480)	$(902)
% change (2010 vs. 2009)	0.4%	(3.4%)	0.9%	3.5%	(12.2%)	(1.3%)
Stabilized	$29	$(794)	$(457)	$(87)	$(480)	$(1,789)
Non-stabilized	$56	$0	$610	$221	$0	$887
Change	$85	$(794)	$153	$134	$(480)	$(902)

• 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 $8.6 million in fiscal year 2010, compared to $10.2 million in fiscal year 2009. The decrease in amortization expense in fiscal year 2010 compared to fiscal year 2009 was primarily due to prior years' acquisitions becoming completely amortized.

• Increased Real Estate Tax Expense. Real estate taxes on properties newly acquired in fiscal years 2010 and 2009 added $197,000 to real estate tax expense (with our commercial industrial segment accounting for $161,000), while real estate taxes on existing properties increased by approximately $889,000, for a total increase of $1.1 million or 3.6% in real estate tax expense in fiscal year 2010 compared to fiscal year 2009, from $30.4 million to $31.5 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	$7,547	$14,155	$5,046	$2,593	$2,188	$31,529
2009	$7,972	$13,850	$4,515	$1,926	$2,180	$30,443
Change	$(425)	$305	$531	$667	$8	$1,086
% change (2010 vs. 2009)	(5.3%)	2.2%	11.8%	34.6%	0.4%	3.6%
Stabilized	$(299)	$262	$412	$506	$8	$889
Non-stabilized	$(126)	$43	$119	$161	$0	$197
Change	$(425)	$305	$531	$667	$8	$1,086

- Increased Insurance Expense. Insurance expense increased in fiscal year 2010 compared to fiscal year 2009, from $3.1 million to $3.9 million, an increase of approximately 28.0%. Insurance expense at properties

newly-acquired in fiscal years 2010 and 2009 added approximately $100,000 to insurance expense, while insurance expense at existing properties increased by approximately $754,000, for an increase of approximately $854,000 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 $633,000.

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	$1,949	$1,052	$479	$228	$197	$3,905
2009	$1,272	$1,003	$419	$175	$182	$3,051
Change	$677	$49	$60	$53	$15	$854
% change (2010 vs. 2009)	53.2 %	4.9 %	14.3 %	30.3 %	8.2 %	28.0 %
Stabilized	$633	$39	$20	$47	$15	$754
Non-stabilized	$44	$10	$40	$6	$0	$100
Change	$677	$49	$60	$53	$15	$854

Increased Property Management Expense. Property management expense increased in fiscal year 2010 compared to fiscal year 2009, from $18.1 million to $19.8 million, an increase of $1.8 million or approximately 9.7%. Property management expenses at properties newly acquired in fiscal years 2010 and 2009 added $2.4 million to the property management category during fiscal year 2010 (with our commercial medical segment accounting for $2.2 million) while property management expenses at existing properties decreased by $640,000 primarily as a result of a reduction in bad debt expense.

Property management 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	$10,208	$3,320	$5,232	$435	$646	$19,841
2009	$8,954	$3,653	$4,207	$446	$819	$18,079
Change	$1,254	$(333)	$1,025	$(11)	$(173)	$1,762
% change (2010 vs. 2009)	14.0 %	(9.1 %)	24.4 %	(2.5 %)	(21.1 %)	9.7 %
Stabilized	$1,134	$(362)	$(1,213)	$(26)	$(173)	$(640)
Non-stabilized	$120	$29	$2,238	$15	$0	$2,402
Change	$1,254	$(333)	$1,025	$(11)	$(173)	$1,762

Factors Impacting Net Income During Fiscal Year 2009 as Compared to Fiscal Year 2008

Physical occupancy rates in three of our five segments, on an all properties basis, decreased slightly compared to the year-earlier period, and real estate revenue increased in four of our five segments in fiscal year 2009 compared to

fiscal year 2008. Net income available to common shareholders decreased to $6.2 million in fiscal year 2009, compared to $9.7 million in fiscal year 2008. Revenue increases during fiscal year 2009 were offset by increases in maintenance, utilities, mortgage interest due to increased borrowing, real estate taxes, property management, insurance and amortization expense.

- Physical Occupancy. During fiscal year 2009, physical occupancy levels at our properties, on an all properties basis, decreased slightly over year-earlier levels in three of our five reportable segments (commercial office, commercial medical and commercial retail), and increased in our multi-family and commercial industrial segments. Physical occupancy rates on a stabilized property basis for the fiscal year ended April 30, 2009 compared to the fiscal year ended April 30, 2008 are shown below:

Segments	Stabilized Properties Fiscal Year Ended April 30, 2009	Stabilized Properties Fiscal Year Ended April 30, 2008	All Properties Fiscal Year Ended April 30, 2009	All Properties Fiscal Year Ended April 30, 2008
Multi-Family Residential	93.0 %	93.1 %	92.9 %	92.1 %
Commercial Office	86.9 %	89.3 %	87.2 %	89.4 %
Commercial Medical	95.8 %	96.2 %	95.0 %	97.0 %
Commercial Industrial	96.0 %	95.2 %	97.0 %	96.6 %
Commercial Retail	85.1 %	86.7 %	85.1 %	86.7 %

- Concessions. Our overall level of tenant concessions increased for the fiscal year ended April 30, 2009 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, 2009 lowered our operating revenues by approximately $3.4 million, as compared to an approximately $3.0 million reduction in operating revenues attributable to rent concessions offered in fiscal year 2008.

The following table shows the approximate reduction in our operating revenues due to rent concessions, by segment, for the fiscal years ended April 30, 2009 and 2008:

	(in thousands) Fiscal Year Ended April 30, 2009	2008	Change
Multi-Family Residential	$2,083	$2,254	$(171)
Commercial Office	1,036	692	344
Commercial Medical	34	34	0
Commercial Industrial	220	0	220
Commercial Retail	44	31	13
Total	$3,417	$3,011	$406

- Increased Maintenance Expense. Maintenance expenses totaled $27.6 million in fiscal year 2009, compared to $24.6 million in fiscal year 2008. Maintenance expenses at properties newly acquired in fiscal years 2009 and 2008 added $1.4 million to the maintenance expense category during fiscal year 2009 (with our commercial medical segment accounting for $1.2 million), while maintenance expenses at existing properties increased by approximately $1.6 million, primarily for snow removal at our multi-family residential and commercial retail segments and building maintenance costs at our commercial office, commercial medical and commercial industrial segments, resulting in a net increase of $3.0 million or 12.3% in maintenance expenses in fiscal year 2009 compared to fiscal year 2008. 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, 2009 and 2008 were as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2009	$10,240	$ 11,287	$ 4,046	$ 582	$ 1,448	$ 27,603
2008	$9,637	$ 10,522	$ 2,757	$ 558	$ 1,108	$ 24,582
Change	$603	$ 765	$ 1,289	$ 24	$ 340	$ 3,021
% change (2009 vs. 2008)	6.3 %	7.3 %	46.8 %	4.3 %	30.7 %	12.3 %
Stabilized	$508	$ 572	$ 129	$ 29	$ 340	$ 1,578
Non-stabilized	$95	$ 193	$ 1,160	$ (5)	$ 0	$ 1,443
Change	$603	$ 765	$ 1,289	$ 24	$ 340	$ 3,021

• Increased Utility Expense. Utility expense totaled $19.0 million in fiscal year 2009, compared to $17.8 million in fiscal year 2008. Utility expenses at properties newly acquired in fiscal years 2009 and 2008 added $787,000 to the utility expense category during fiscal year 2009 (with our commercial medical segment accounting for $646,000), while utility expenses at existing properties increased by $395,000, primarily due to increased heating costs due to unseasonably cold temperatures and, to a lesser degree, increased rates from higher fuel costs, (notably in our multi-family residential segment with an increase of $224,000), for a total increase of $1.2 million or 6.6% in utility expenses in fiscal year 2009 compared to fiscal year 2008.

Utility expenses by reportable segment for the fiscal years ended April 30, 2009 and 2008 were as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2009	$ 7,724	$ 7,851	$ 2,859	$ 93	$ 448	$ 18,975
2008	$ 7,388	$ 7,743	$ 2,111	$ 131	$ 420	$ 17,793
Change	$ 336	$ 108	$ 748	$ (38)	$ 28	$ 1,182
% change (2009 vs. 2008)	4.5 %	1.4 %	35.4 %	(29.0 %)	6.7 %	6.6 %
Stabilized	$ 224	$ 29	$ 102	$ 12	$ 28	$ 395
Non-stabilized	$ 112	$ 79	$ 646	$ (50)	$ 0	$ 787
Change	$ 336	$ 108	$ 748	$ (38)	$ 28	$ 1,182

• Increased Mortgage Interest Expense. Our mortgage interest expense increased approximately $5.3 million, or 8.4%, to approximately $68.0 million during fiscal year 2009, compared to $62.7 million in fiscal year 2008. Mortgage interest expense for properties newly acquired in fiscal years 2009 and 2008 added $5.2 million to our total mortgage interest expense in fiscal year 2009, while mortgage interest expense on existing properties increased $107,000. Our overall weighted average interest rate on all outstanding mortgage debt was 6.30% as of April 30, 2009, compared to 6.37% as of April 30, 2008. Our mortgage debt increased approximately $6.3 million, or 0.6%, to approximately $1.1 billion as of April 30, 2009, compared to April 30, 2008.

Mortgage interest expense by reportable segment for the fiscal years ended April 30, 2009 and 2008 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2009	$ 19,696	$ 23,658	$ 16,870	$ 3,803	$ 3,939	$ 67,966
2008	$ 19,602	$ 23,131	$ 12,351	$ 3,481	$ 4,137	$ 62,702
Change	$ 94	$ 527	$ 4,519	$ 322	$ (198)	$ 5,264
% change (2009 vs. 2008)	0.5 %	2.3 %	36.6 %	9.3 %	(4.8 %)	8.4 %
Stabilized	$ (345)	$ (169)	$ 941	$ (121)	$ (198)	$ 108
Non-stabilized	$ 439	$ 696	$ 3,578	$ 443	$ 0	$ 5,156
Change	$ 94	$ 527	$ 4,519	$ 322	$ (198)	$ 5,264

- Increased 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 $10.2 million in fiscal year 2009, compared to $10.0 million in fiscal year 2008. The increase in amortization expense in fiscal year 2009 compared to fiscal year 2008 was primarily due to property acquisitions completed by the Company in fiscal year 2009.

- Increased Real Estate Tax Expense. Real estate taxes on properties newly acquired in fiscal years 2009 and 2008 added $2.3 million to real estate tax expense (with our commercial medical segment accounting for $1.3

million), while real estate taxes on existing properties increased by approximately $1.0 million, for a total increase of $3.3 million or 12.2% in real estate tax expense in fiscal year 2009 compared to fiscal year 2008, from $27.1 million to $30.4 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, 2009 and 2008 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2009	$7,972	$ 13,850	$ 4,515	$ 1,926	$ 2,180	$ 30,443
2008	$7,528	$ 13,140	$ 2,977	$ 1,346	$ 2,142	$ 27,133
Change	$444	$ 710	$ 1,538	$ 580	$ 38	$ 3,310
% change (2009 vs. 2008)	5.9 %	5.4 %	51.7 %	43.1 %	1.8 %	12.2 %
Stabilized	$104	$ 465	$ 199	$ 200	$ 38	$ 1,006
Non-stabilized	$340	$ 245	$ 1,339	$ 380	$ 0	$ 2,304
Change	$444	$ 710	$ 1,538	$ 580	$ 38	$ 3,310

- Increased Insurance Expense. Insurance expense increased in fiscal year 2009 compared to fiscal year 2008, from $2.6 million to $3.1 million, an increase of approximately 16.3%. Insurance expense at properties newly-acquired in fiscal years 2009 and 2008 added approximately $179,000 to insurance expense, while insurance expense at existing properties increased by approximately $248,000, for an increase of approximately $427,000 in insurance expense in fiscal year 2009 compared to fiscal year 2008. The increase in insurance expense at stabilized properties was due to an increase in premiums.

Insurance expense by reportable segment for the fiscal years ended April 30, 2009 and 2008 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2009	$1,272	$ 1,003	$ 419	$ 175	$ 182	$ 3,051
2008	$1,162	$ 901	$ 257	$ 135	$ 169	$ 2,624
Change	$110	$ 102	$ 162	$ 40	$ 13	$ 427
% change (2009 vs. 2008)	9.5 %	11.3 %	63.0 %	29.6 %	7.7 %	16.3 %
Stabilized	$75	$ 76	$ 74	$ 9	$ 13	$ 247
Non-stabilized	$35	$ 26	$ 88	$ 31	$ 0	$ 180
Change	$110	$ 102	$ 162	$ 40	$ 13	$ 427

- Increased Property Management Expense. Property management expense increased in fiscal year 2009 compared to fiscal year 2008, from $15.3 million to $18.1 million, an increase of $2.8 million or approximately 18.4%. Of this increase, approximately $1.6 million is attributable to existing properties, while $1.2 million is due to properties acquired in fiscal years 2009 and 2008 (with our commercial medical segment accounting for

$826,000). The increase at existing properties is primarily due to the increase in bad debt write-offs at our Fox River and Stevens Point projects in our commercial medical segment of $1.4 million and in our commercial retail segment of $279,000, offset by recoveries and decreased write-offs in our multi-family residential and commercial office segments compared to fiscal year 2008.

Property management expense by reportable segment for the fiscal years ended April 30, 2009 and 2008 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	All Segments
2009	$ 8,954	$ 3,653	$ 4,207	$ 446	$ 819	$ 18,079
2008	$ 8,922	$ 3,900	$ 1,654	$ 359	$ 438	$ 15,273
Change	$ 32	$ (247)	$ 2,553	$ 87	$ 381	$ 2,806
% change (2009 vs. 2008)	0.4 %	(6.3 %)	154.4 %	24.2 %	87.0 %	18.4 %
Stabilized	$ (179)	$ (300)	$ 1,727	$ 12	$ 381	$ 1,641
Non-stabilized	$ 211	$ 53	$ 826	$ 75	$ 0	$ 1,165
Change	$ 32	$ (247)	$ 2,553	$ 87	$ 381	$ 2,806

Comparison of Results from Commercial and Residential Properties

The following table presents an analysis of the relative investment in (corresponding to “Property owned” on the balance sheet, i.e., cost), and net operating income of, our commercial and multi-family residential properties over the past three fiscal years:

	(in thousands)					
Fiscal Years Ended April 30	2010	%	2009	%	2008	%
Real Estate Investments – (cost)						
Multi-Family Residential	$ 556,867	30.9 %	$ 542,547	31.4 %	$ 510,697	31.0 %
Commercial Office	582,943	32.4 %	571,565	33.0 %	556,712	33.8 %
Commercial Medical	430,229	23.9 %	388,219	22.4 %	359,986	21.8 %
Commercial Industrial	113,249	6.3 %	108,103	6.3 %	104,060	6.3 %
Commercial Retail	117,231	6.5 %	119,151	6.9 %	116,804	7.1 %
Total	$ 1,800,519	100 %	$ 1,729,585	100 %	$ 1,648,259	100 %
Net Operating Income						
Multi-Family Residential	$ 40,378	28.2 %	$ 40,554	28.6 %	$ 38,190	28.6 %
Commercial Office	45,232	31.7 %	45,802	32.3 %	47,836	35.8 %
Commercial Medical	39,555	27.7 %	36,518	25.7 %	28,656	21.4 %
Commercial Industrial	9,105	6.4 %	9,489	6.7 %	9,162	6.8 %
Commercial Retail	8,624	6.0 %	9,491	6.7 %	9,921	7.4 %
Total	$ 142,894	100.0 %	$ 141,854	100.0 %	$ 133,765	100.0 %

Analysis of Lease Expirations and Credit Risk

The following table shows the annual lease expiration percentages and base rent of expiring leases for the total commercial segments properties owned by us as of April 30, 2010, for fiscal years 2011 through 2020, and the leases that will expire during fiscal year 2021 and beyond. Our multi-family residential properties are excluded from this table, since residential leases are generally for a one-year term.

Fiscal Year of Lease Expiration	Square Footage of Expiring Leases	Percentage of Total Commercial Segments Leased Square Footage	Annualized Base Rent of Expiring Leases at Expiration	Percentage of Total Commercial Segments Annualized Base Rent
2011	1,935,029	19.5 %	$ 14,141,211	12.8 %
2012	1,511,063	15.2 %	14,464,586	13.0 %
2013	875,328	8.8 %	10,234,475	9.2 %
2014	968,127	9.7 %	12,251,369	11.1 %
2015	654,077	6.6 %	6,377,097	5.8 %
2016	860,698	8.7 %	8,285,183	7.5 %
2017	727,390	7.3 %	10,556,046	9.5 %
2018	283,074	2.8 %	4,642,426	4.2 %
2019	520,518	5.2 %	6,762,778	6.1 %
2020	308,474	3.1 %	3,012,911	2.7 %
Thereafter	1,300,897	13.1 %	20,095,598	18.1 %
Totals	9,944,675	100.0 %	$ 110,823,680	100.0 %

The following table lists our top ten commercial tenants on April 30, 2010, for the total commercial segments properties owned by us as of April 30, 2010, based upon minimum rents in place as of April 30, 2010:

Lessee	(in thousands) % of Total Commercial Segments Minimum Rents as of April 30, 2010
Affiliates of Edgewood Vista	9.9%
St. Lukes Hospital of Duluth, Inc.	3.5%
Fairview Health	2.5%
Applied Underwriters	2.2%
Best Buy Co., Inc. (NYSE: BBY)	1.9%
HealthEast Care System	1.7%
USG Corp.	1.6%
Smurfit - Stone Container (Nasdaq: SSCC)	1.5%
Microsoft (Nasdaq: MSFT)	1.4%
Nebraska Orthopaedic Hospital	1.3%
All Others	72.5%
Total Monthly Rent as of April 30, 2010	100.0%

Property Acquisitions

IRET Properties paid approximately $55.4 million for real estate properties added to its portfolio during fiscal year 2010, compared to $33.8 million in fiscal year 2009. The fiscal year 2010 and 2009 additions are detailed below.

Fiscal 2010 (May 1, 2009 to April 30, 2010)

	(in thousands)			
Acquisitions	Land	Building	Intangible Assets	Acquisition Cost
Multi-Family Residential				
16-unit Northern Valley Apartments - Rochester, MN	$110	$610	$0	$720
48-unit Crown Apartments - Rochester, MN	261	3,289	0	3,550
	371	3,899	0	4,270
Commercial Office				
15,000 sq. ft. Minot 2505 16th Street SW - Minot, ND	372	1,724	304	2,400
	372	1,724	304	2,400
Commercial Medical				
65,160 sq. ft. Casper 1930 E. 12th Street (Park Place) - Casper, WY	439	5,780	1,120	7,339
35,629 sq. ft. Casper 3955 E. 12th Street (Meadow Wind) - Casper, WY	338	5,881	1,120	7,339
47,509 sq. ft. Cheyenne 4010 N. College Drive (Aspen Wind) - Cheyenne, WY	628	9,869	1,960	12,457
54,072 sq. ft. Cheyenne 4606 N. College Drive (Sierra Hills) - Cheyenne, WY	695	7,455	1,410	9,560
35,629 sq. ft. Laramie 1072 N. 22nd Street (Spring Wind) - Laramie, WY	406	6,634	1,265	8,305
	2,506	35,619	6,875	45,000
Commercial Industrial				
42,180 sq. ft. Clive 2075 NW 94th Street - Clive, IA	408	2,610	332	3,350
	408	2,610	332	3,350
Unimproved Land				
Fargo 1320 45th Street N. - Fargo, ND	395	0	0	395
	395	0	0	395
Total Property Acquisitions	$4,052	$43,852	$7,511	$55,415

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Fiscal 2009 (May 1, 2008 to April 30, 2009)

	(in thousands)			
Acquisitions and Development Projects Placed in Service	Land	Building	Intangible Assets	Acquisition Cost
Multi-Family Residential				
33-unit Minot Westridge Apartments – Minot, ND	$67	$1,887	$0	$ 1,954
12-unit Minot Fairmont Apartments – Minot, ND	28	337	0	365
4-unit Minot 4th Street Apartments – Minot, ND	15	74	0	89
3-unit Minot 11th Street Apartments – Minot, ND	11	53	0	64
36-unit Evergreen Apartments – Isanti, MN	380	2,720	0	3,100
10-unit 401 S. Main Apartments – Minot, ND1	0	905	0	905
71-unit IRET Corporate Plaza Apartments – Minot, ND2	0	10,824	0	10,824
	501	16,800	0	17,301
Commercial Office				
22,500 sq. ft. Bismarck 715 E. Bdwy – Bismarck, ND	389	1,267	255	1,911
50,360 sq. ft. IRET Corporate Plaza – Minot, ND2	0	3,896	0	3,896
	389	5,163	255	5,807
Commercial Medical				
56,239 sq. ft. 2828 Chicago Avenue – Minneapolis, MN3	0	5,052	0	5,052
31,643 sq. ft. Southdale Medical Expansion (6545 France) – Edina, MN4	0	779	0	779
	0	5,831	0	5,831
Commercial Industrial				
69,984 sq. ft. Minnetonka 13600 Cty Rd 62 – Minnetonka, MN	809	2,881	310	4,000
	809	2,881	310	4,000
Unimproved Land				
Bismarck 2130 S. 12th Street – Bismarck, ND	576	0	0	576
Bismarck 700 E. Main – Bismarck, ND	314	0	0	314
	890	0	0	890
Total Property Acquisitions	$2,589	$30,675	$565	$ 33,829

(1) Development property placed in service November 10, 2008. Approximately $145,000 of this cost was incurred in the three months ended April 30, 2009. Additional costs incurred in fiscal year 2008 totaled approximately $14,000 for a total project cost at April 30, 2009 of approximately $919,000.

(2) Development property placed in service January 19, 2009. Approximately $1.8 million of the residential cost and $563,000 of the commercial office 2 project cost at April 30, 2009 of $23.3 million.

(3) Development property placed in service September 16, 2008. Approximately $800,000 of this cost was incurred in the three months ended January 31, 2009. Additional costs incurred in fiscal years 2008 and 2007 totaled $7.8 million for a total project cost at April 30, 2009 of $12.9 million.

(4) Development property placed in service September 17, 2008. Approximately $364,000 of this cost was incurred in the three months ended January 31, 2009. Additional costs incurred in fiscal year 2008 totaled $5.4 million for a total project cost at April 30, 2009 of $6.2 million.

Property Dispositions

During fiscal years 2010 and 2009, the Company had no material dispositions.

Funds From Operations

IRET considers Funds from Operations ("FFO") a useful measure of performance for an equity REIT. IRET uses the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") in 1991, as clarified in 1995, 1999 and 2002. NAREIT defines FFO to mean "net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis." Because of limitations of the FFO definition adopted by NAREIT, IRET has made certain interpretations in applying the definition. IRET believes all such interpretations not specifically provided for in the NAREIT definition are consistent with the definition.

IRET management considers that FFO, by excluding depreciation costs, the gains or losses from the sale of operating real estate properties and extraordinary items as defined by GAAP, is useful to investors in providing an additional perspective on IRET's operating results. Historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation, that the value of real estate assets decreases predictably over time. However, real estate asset values have historically risen or fallen with market conditions. NAREIT's definition of FFO, by excluding depreciation costs, reflects the fact that depreciation charges required by GAAP may not reflect underlying economic realities. Additionally, the exclusion, in NAREIT's definition of FFO, of gains and losses from the sales of previously depreciated operating real estate assets, allows IRET management and investors to better identify the operating results of the long-term assets that form the core of IRET's investments, and assists in comparing those operating results between periods. FFO is used by IRET's management and investors to identify trends in occupancy rates, rental rates and operating costs.

While FFO is widely used by REITs as a primary performance metric, not all real estate companies use the same definition of FFO or calculate FFO in the same way. Accordingly, FFO presented here is not necessarily comparable to FFO presented by other real estate companies.

FFO should not be considered as an alternative to net income as determined in accordance with GAAP as a measure of IRET's performance, but rather should be considered as an additional, supplemental measure, and should be viewed in conjunction with net income as presented in the consolidated financial statements included in this report. FFO does not represent cash generated from operating activities in accordance with GAAP, and is not necessarily indicative of sufficient cash flow to fund all of IRET's needs or its ability to service indebtedness or make distributions.

FFO applicable to common shares and limited partnership units for the fiscal year ended April 30, 2010 decreased to $61.5 million, compared to $64.6 million and $64.2 million for the fiscal years ended April 30, 2009 and 2008, respectively. The decrease in FFO was due to those factors discussed above in the sections titled "Changes in Expenses and Net Income" and "Factors Impacting Net Income During Fiscal Year 2010 as Compared to Fiscal Year 2009."

Reconciliation of Net Income Attributable to Investors Real Estate Trust to Funds From Operations

For the years ended April 30, 2010, 2009 and 2008:

(in thousands, except per share and unit amounts)

Fiscal Years Ended April 30,	2010			2009			2008		
	Amount	Weighted Avg Shares and Units(2)	Per Share and Unit(3)	Amount	Weighted Avg Shares and Units(2)	Per Share and Unit(3)	Amount	Weighted Avg Shares and Units(2)	Per Share and Unit(3)
Net income attributable to Investors Real Estate Trust	$4,001		$	$8,526		$	$12,088		$
Less dividends to preferred shareholders	(2,372)			(2,372)			(2,372)		
Net income available to	1,629	69,093	0.03	6,154	58,603	0.11	9,716	53,060	0.18

common shareholders									
Adjustments:									
Noncontrolling interests – Operating Partnership	562	20,825		2,227	21,217		3,677	20,417	
Depreciation and amortization(1)	59,383			56,295			51,303		
Gains on depreciable property sales	(68)			(54)			(514)		
Funds from operations applicable to common shares and Units	$61,506	89,918	$0.69	$64,622	79,820	$0.81	$64,182	73,477	$0.87

(1) Real estate depreciation and amortization consists of the sum of depreciation/amortization related to real estate investments and amortization related to non-real estate investments from the Consolidated Statements of Operations, totaling $59,763, $56,714 and $51,518 and depreciation/amortization from Discontinued Operations of $0, $0 and $47, less corporate-related depreciation and amortization on office equipment and other assets of $380, $419 and $262 for the fiscal year ended April 30, 2010, 2009 and 2008.

(2) UPREIT Units of the Operating Partnership are exchangeable for common shares of beneficial interest on a one-for-one basis.

(3) Net income is calculated on a per share basis. FFO is calculated on a per share and unit basis.

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Cash Distributions

The following cash distributions were paid to our common shareholders and UPREIT unitholders during fiscal years 2010, 2009 and 2008:

Quarters	Fiscal Years