Skomal Mark
Form 3/A
December 06, 2011

# FORM 3

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

| OMB APPROVAL | |
|---|---|
| OMB Number: | 3235-0104 |
| Expires: | January 31, 2005 |
| Estimated average burden hours per response... | 0.5 |

## INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Skomal Mark
(Last) (First) (Middle)

C/O DCT INDUSTRIAL TRUST INC.,Â 518 17TH STREET, SUITE 800
(Street)

DENVER,Â COÂ 80202
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
02/03/2011

3. Issuer Name **and** Ticker or Trading Symbol
DCT Industrial Trust Inc. [DCT]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Accounting Officer

5. If Amendment, Date Original Filed(Month/Day/Year)
02/23/2011

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

### Table I - Non-Derivative Securities Beneficially Owned

| 1.Title of Security (Instr. 4) | 2. Amount of Securities Beneficially Owned (Instr. 4) | 3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5) | 4. Nature of Indirect Beneficial Ownership (Instr. 5) |
|---|---|---|---|

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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### Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 4) | 2. Date Exercisable and Expiration Date (Month/Day/Year) | | 3. Title and Amount of Securities Underlying Derivative Security (Instr. 4) | | 4. Conversion or Exercise Price of Derivative Security | 5. Ownership Form of Derivative Security: Direct (D) | 6. Nature of Indirect Beneficial Ownership (Instr. 5) |
|---|---|---|---|---|---|---|---|
| | Date Exercisable | Expiration Date | Title | Amount or Number of | | | |

| | | | | Shares | | or Indirect (I) (Instr. 5) | |
|---|---|---|---|---|---|---|---|
| Stock Options | Â (1) | 02/03/2021 | Common Stock | 4,337 | $ 5.55 | D | Â |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Skomal Mark<br>C/O DCT INDUSTRIAL TRUST INC.<br>518 17TH STREET, SUITE 800<br>DENVER,Â COÂ 80202 | Â | Â | Â Chief Accounting Officer | Â |

# Signatures

| | |
|---|---|
| /s/ Marilyn Cartwright, Attorney-in-Fact | 12/06/2011 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** The Stock Options (the "Options") were granted under the Issuer's Amended and Restated 2006 Long-Term Incentive Plan (the "Plan"). The Options vest over four years: 25% on Januaryt 1, 2012, and 25% on each January 1st of the following three years.

Â

**Remarks:**

ThisÂ AmendmentÂ isÂ beingÂ filedÂ toÂ reflectÂ StockÂ OptionsÂ grantedÂ FebruaryÂ 3,Â 2011Â and,Â dueÂ toÂ aÂ 

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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Real Estate Taxes

1,293

1,449

(10.8%)

Insurance

| | |
|---|---|
| | 149 |
| | 133 |
| | 12.0% |
| Property Management | |
| | 760 |
| | 1,005 |
| | (24.4%) |
| Total Expenses | |
| | 12,688 |
| | 12,864 |
| | (1.4%) |
| Property Segment Operating Profit | |
| | $ |
| | 2,803 |
| | $ |
| | 2,307 |

21.5%

*Commercial Industrial*

Real Estate Revenue

$

5,961

$

6,614

(9.9%)

Expenses

| | | | |
|---|---|---|---|
| Mortgage Interest | 2,171 | 2,092 | 3.8% |
| Depreciation and Amortization | 1,256 | 1,242 | 1.1% |
| Utilities | 60 | 49 | 22.4% |
| Maintenance | | | |

| | |
|---|---|
| | 169 |
| | 202 |
| | (16.3%) |
| Real Estate Taxes | |
| | 709 |
| | 764 |
| | (7.2%) |
| Insurance | |
| | 72 |
| | 65 |
| | 10.8% |
| Property Management | |
| | 91 |
| | 98 |
| | (7.1%) |

Total Expenses

4,528

4,512

0.4%

Property Segment Operating Profit

$

1,433

$

2,102

(31.8%)



**Index**

*Commercial Retail*

Real Estate Revenue

$

12,022

$

11,169

7.6%

Expenses

Mortgage Interest

3,383

3,229

4.8%

Depreciation and Amortization

1,913

1,861

2.8%

Utilities

| | | | |
|---|---|---|---|
| | 351 | 271 | 29.5% |
| Maintenance | 734 | 733 | 0.1% |
| Real Estate Taxes | 1,650 | 1,821 | (9.4%) |
| Insurance | 139 | 151 | |

(7.9%)

Property Management

68

50

36.0%

Total Expenses

8,238

8,116

1.5%

Property Segment Operating Profit

$

3,784

$

3,053

23.9%

Total Stabilized Segment Operating Profit

$

15,132

$

Explanation of Responses:

15,999

(5.4%)

Reconciliation to Segment Operating Profit

Real Estate Revenue - Non-Stabilized

$

34,951

$

9,554

Expenses - Non-Stabilized

Mortgage Interest

Explanation of Responses:

| | | |
|---|---|---|
| | 9,103 | 2,130 |
| Depreciation and Amortization | 11,813 | 2,723 |
| Utilities | 2,088 | 765 |
| Maintenance | 3,280 | 1,075 |

| | | |
|---|---|---|
| Real Estate Taxes | 3,463 | 1,050 |
| Insurance | 526 | 200 |
| Property Management | 2,156 | 845 |
| Total Segment Operating Profit | $ 17,654 | $ 16,765 |

**Property Acquisitions**

IRET Properties paid approximately $93.4 million for real estate properties added to its portfolio during fiscal year 2006, compared to $146.4 million in fiscal year 2005. The fiscal year 2006 and 2005 additions are detailed below.

**Fiscal 2006** (*May 1, 2005 to April 30, 2006*)

| **Fiscal 2006 Acquisitions** | | ***(in thousands)*** **Purchase Price** |
|---|---|---|
| *Multi-Family Residential* | | |
| 36-unit Legacy 7 - Grand Forks, ND | $ | 2,445 |
| | | 2,445 |
| | | |
| *Commercial Property Office* | | |
| 15,594 sq. ft. Spring Valley IV Office Building - Omaha, NE | | 1,250 |
| 23,913 sq. ft. Spring Valley V Office Building - Omaha, NE | | 1,375 |
| 24,000 sq. ft. Spring Valley X Office Building - Omaha, NE | | 1,275 |
| 24,000 sq. ft. Spring Valley XI Office Building - Omaha, NE | | 1,250 |
| 30,000 sq. ft. Brook Valley I Office Building - La Vista, NE | | 2,100 |
| 146,087 sq. ft. Northpark Corporate Center - Arden Hills, MN | | 18,597 |
| | | 25,847 |
| *Commercial Property Medical (including assisted living)* | | |
| 74,112 sq. ft. Edgewood Vista - Bismarck, ND | | 10,750 |
| 60,161 sq. ft. Edgewood Vista - Spearfish, SD | | 6,687 |
| 82,535 sq. ft. Edgewood Vista - Brainerd, MN | | 10,625 |
| 160,485 sq. ft. Edgewood Vista - Hermantown, MN | | 12,315 |
| 50,409 sq. ft. Ritchie Medical Plaza - St. Paul, MN | | 10,750 |
| 54,971 sq. ft. 2800 Medical Building - Minneapolis, MN | | 9,000 |
| 47,950 sq. ft. Stevens Point - Stevens Point, WI | | 4,215 |
| | | 64,342 |
| *Undeveloped Property* | | |
| Stevens Point Undeveloped - Stevens Point, WI | | 310 |
| Eagan Vacant Land - Eagan, MN | | 423 |
| | | 733 |
| Total Fiscal 2006 Property Acquisitions | $ | 93,367 |



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**Fiscal 2005** (*May 1, 2004 to April 30, 2005*)

| **Fiscal 2005 Acquisitions** | ***(in thousands)*** **Purchase Price** |
|---|---|
| *Multi-Family Residential* | |

| | | |
|---|---|---|
| 54-unit Southbrook Court and Mariposa Lane Townhomes - Topeka, KS | $ | 5,500 |
| 36-unit Legacy 5 - Grand Forks, ND | | 2,738 |
| 36-unit Legacy 6 - Grand Forks, ND | | 2,607 |
| 140-unit Olympik Village - Rochester, MN | | 7,100 |
| | | 17,945 |
| *Commercial Property - Office* | | |
| 26,186 sq. ft. Plymouth I Office Building - Plymouth, MN | | 1,864 |
| 26,186 sq. ft. Plymouth II Office Building - Plymouth, MN | | 1,748 |
| 26,186 sq. ft. Plymouth III Office Building - Plymouth, MN | | 2,214 |
| 79,377 sq. ft. Northgate I Office Building - Maple Grove, MN | | 8,175 |
| 185,000 sq. ft. Crosstown Circle Office Building - Eden Prairie, MN | | 22,000 |
| 81,173 sq. ft. Highlands Ranch II Office Building - Highlands Ranch, CO | | 12,800 |
| 86,428 sq. ft. Wells Fargo Center - St. Cloud, MN | | 9,201 |
| 153,947 sq. ft. US Bank - Bloomington, MN | | 20,300 |
| | | 78,302 |
| *Commercial Property - Medical* | | |
| 52,300 sq. ft. Nebraska Orthopaedic Hospital Expansion Project - Omaha, NE | | 20,597 |
| 45,081 sq. ft. Pavilion I Clinic - Duluth, MN | | 10,900 |
| 60,294 sq. ft. High Pointe Health Campus Phase I (East Metro Medical Building) - Lake Elmo, MN | | 13,050 |
| | | 44,547 |

| | | |
|---|---|---|
| *Commercial Property - Retail* | | |
| 46,720 sq. ft. Sleep Inn Hotel - Brooklyn Park, MN | | 2,750 |
| 4,000 sq. ft. single tenant retail building (former Payless building) - Fargo, ND | | 375 |
| | | 3,125 |
| *Undeveloped Property* | | |
| * Legacy VII - Grand Forks, ND | | 2,443 |
| | | 2,443 |
| Total Fiscal 2005 Property Acquisitions | $ | 146,362 |

* = Property not placed in service at April 30, 2005. Additional costs were still to be incurred.

**Property Dispositions**

During fiscal year 2006, IRET Properties disposed of 17 properties and two undeveloped properties for an aggregate sale price of $14.2 million, compared to 17 properties and one parcel of undeveloped land sold for $48.9 million in total during fiscal year 2005. Real estate assets sold by IRET during fiscal year 2006 were as follows:

| | | ***(in thousands)*** | |
|---|---|---|---|
| **Fiscal 2006 Dispositions** | **Sales Price** | **Book Value and Sales Cost** | **Gain/Loss** |
| *Commercial - Office* | | | |
| 1,600 sq. ft. Greenwood Chiropractic - Greenwood, MN | $ 490 | $ 345 | $ 145 |
| | | | |
| *Commercial Retail* | | | |
| 3,000 sq. ft. Centerville Convenience Store - Centerville, MN | 340 | 324 | 16 |
| 4,800 sq. ft. East Bethel C-Store - East Bethel, MN | 660 | 498 | 162 |
| 6,325 sq. ft. Lino Lake Strip Center - Lino Lakes, MN | 650 | 462 | 188 |
| 8,400 sq. ft. IGH Strip Center - Inver Grove Heights, MN | 1,280 | 940 | 340 |
| 46,720 sq. ft. Sleep Inn - Brooklyn Park, MN | 3,350 | 2,990 | 360 |
| 7,993 sq. ft. Excelsior Strip Center - Excelsior, MN | 965 | 891 | 74 |
| 3,000 sq. ft. Andover C-Store - Andover, MN | 383 | 308 | 75 |
| 6,266 sq. ft. Oakdale Strip Center - Oakdale, MN | 1,050 | 745 | 305 |
| 6,225 sq. ft. Rochester Auto - Rochester, MN | 465 | 431 | 34 |
| 3,650 sq. ft. Lakeland C-Store - Lakeland, MN | 610 | 436 | 174 |

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| | | | |
|---|---|---|---|
| *Commercial Retail continue* | | | |
| 4,000 sq. ft. Lindstrom C-Store - Lindstrom, MN | 450 | 345 | 105 |
| 3,571 sq. ft. Mora C-Store - Mora, MN | 380 | 296 | 84 |
| 3,000 sq. ft. Shoreview C-Store - Shoreview, MN | 400 | 326 | 74 |
| 8,750 sq. ft. Blaine Strip Center - Blaine, MN | 990 | 599 | 391 |
| 3,444 sq. ft. St. Louis Park Retail - St. Louis Park, MN | 845 | 365 | 480 |
| 3,864 sq. ft. Mound Strip Center - Mound, MN | 550 | 358 | 192 |
| | | | |
| *Undeveloped Property* | | | |

| | | | |
|---|---|---|---|
| 40,000 sq. ft. Centerville Undeveloped Land - Centerville, MN | 110 | 105 | 5 |
| Andover Vacant Land - Andover, MN | 230 | 164 | 66 |
| Total Fiscal 2006 Property Dispositions | $ 14,198 | $ 10,928 | $ 3,270 |

Properties sold by IRET during fiscal 2005 were as follows:

| | *(in thousands)* | | |
|---|---|---|---|
| **Fiscal 2005 Dispositions** | **Sales Price** | **Book Value and Sales Cost** | **Gain/Loss** |
| *Multi-Family Residential* | | | |
| 204-unit Ivy Club Apartments - Vancouver, WA | $ 12,250 | $ 12,070 | $ 180 |
| 26-unit Beulah Condominiums - Beulah, ND | 96 | 96 | 0 |
| 36-unit Parkway Apartments - Beulah, ND | 159 | 159 | 0 |
| 18-unit Dakota Arms Apartments - Minot, ND | 825 | 566 | 259 |
| 100-unit Van Mall Woods Apartments - Vancouver, WA | 6,900 | 5,625 | 1,275 |
| 192-unit Century Apartments - Williston, ND | 4,599 | 2,658 | 1,941 |
| 18-unit Bison Apartments - Carrington, ND | 215 | 161 | 54 |
| 17-unit Bison Apartments - Cooperstown, ND | 185 | 135 | 50 |
| | | | |
| *Commercial - Office* | | | |
| 62,585 sq. ft. Flying Cloud Building - Eden Prairie, MN | 5,750 | 5,750 | 0 |
| | | | |
| *Commercial - Medical (assisted living facility)* | | | |
| 97,821 sq. ft. Edgewood Vista - Minot, ND | 7,210 | 5,676 | 1,534 |
| 5,100 sq. ft. Edgewood Vista - Belgrade, MT | 509 | 433 | 76 |
| 5,100 sq. ft. Edgewood Vista - Columbus, NE | 509 | 435 | 74 |
| 5,100 sq. ft. Edgewood Vista - Grand Island, NE | 509 | 434 | 75 |
| 16,392 sq. ft. Edgewood Vista - East Grand Forks, MN | 1,639 | 1,312 | 327 |
| | | | |
| *Commercial Retail* | | | |
| 30,000 sq. ft. Barnes & Noble Store - Fargo, ND | 4,590 | 2,916 | 1,674 |
| 18,040 sq. ft. Petco Store - Fargo, ND | 2,160 | 1,209 | 951 |
| 4,800 sq. ft. single tenant retail building (former Tom Thumb store) - Ham Lake, MN | 650 | 518 | 132 |
| *Undeveloped Property* | | | |
| 205,347 sq. ft. parcel of vacant land - Libby, MT | 151 | 151 | 0 |
| Total Fiscal 2005 Property Dispositions | $ 48,906 | $ 40,304 | $ 8,602 |

**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.

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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 real estate, as an asset class, generally appreciates over time and 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, 2006 increased to $46.7 million, compared to $42.3 million and $36.6 million for the fiscal years ended April 30, 2005 and 2004, respectively.

**Reconciliation of Net Income to Funds From Operations**

*For the years ended April 30, 2006, 2005 and 2004:*

**(in thousands, except per share amounts)**

| **Fiscal Years Ended April 30,** | **2006** | | | **2005** | | | **2004** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **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 | $ 11,567 | | $ | $ 15,076 | | $ | $ 9,440 | | $ |
| Less dividends to preferred shareholders | (2,372) | | | (2,372) | | | (33) | | |
| Net income available to common shareholders | 9,195 | 45,717 | .20 | 12,704 | 43,214 | .30 | 9,407 | 39,257 | .24 |
| Adjustments: | | | | | | | | | |
| | 2,705 | 13,329 | | 3,873 | 12,621 | | 2,752 | 11,176 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Minority interest in earnings of unitholders | | | | | | | | | |
| Depreciation and Amortization(1) | 38,104 | | | 34,342 | | | 25,079 | | |
| Gains on depreciable property sales | (3,293) | | | (8,605) | | | (600) | | |
| Funds from operations applicable to common shares and Units(4) | $ 46,711 | 59,046 | $ .79 | $ 42,314 | 55,835 | $ .76 | $ 36,638 | 50,433 | $ .73 |

*(1) Real estate depreciation and amortization consists of the sum of depreciation/amortization related to real estate investments; amortization; and amortization of related party costs from the Consolidated Statements of Operations, totaling $39,030, and depreciation and amortization from Discontinued Operations of $189, less corporate-related depreciation and amortization on office equipment and other assets of $230, and less amortization of financing costs of $885, for the fiscal year ended April 30, 2006.*

*(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.*

*(4) In accordance with SEC and NAREIT guidance, IRET does not exclude impairment write-downs from FFO (that is, impairment charges are not added back to GAAP net income in calculating FFO). IRET recorded impairment charges of $409, $570 and $62 for the fiscal years ended April 30, 2006, 2005 and 2004, respectively. If these impairment charges are excluded from the Company's calculation of FFO, the Company's FFO per share and unit would be $.80 and $.77 for fiscal years 2006 and 2005, respectively. FFO per share and unit for fiscal year 2004 would be unchanged.*



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**Cash Distributions**

The following cash distributions were paid to our common shareholders and UPREIT unitholders during fiscal years 2006, 2005, and 2004:

| | Fiscal Years | | |
|---|---|---|---|
| **Quarters** | **2006** | **2005** | **2004** |
| First | $ .1625 | $ .1605 | $ .1585 |
| Second | .1630 | .1610 | .1590 |
| Third | .1635 | .1615 | .1595 |
| Fourth | .1640 | .1620 | .1600 |
| | $ .6530 | $ .6450 | $ .6370 |

The fiscal year 2006 cash distributions increased 1% and 3% over the cash distributions paid during fiscal year 2005 and fiscal year 2004, respectively.

**Liquidity and Capital Resources**

**Overview**

Management expects that the Company's principal liquidity demands will continue to be distributions to holders of the Company's preferred and common shares of beneficial interest and UPREIT Units, capital improvements and repairs and maintenance to the Company's properties, acquisition of additional properties, redemption of outstanding investment certificates, property development, debt repayments and tenant improvements.

The Company expects to meet its short-term liquidity requirements through net cash flows provided by its operating activities, and through draws from time to time on its unsecured lines of credit. Management considers the Company's ability to generate cash to be adequate to meet all operating requirements and to make distributions to its shareholders in accordance with the REIT provisions of the Internal Revenue Code. Budgeted expenditures for ongoing maintenance and capital improvements and renovations to our real estate portfolio are expected to be funded from cash flow generated from operations of current properties.

To the extent the Company does not satisfy its long-term liquidity requirements, which consist primarily of maturities under the Company's long-term debt, maturing investment certificates, construction and development activities and potential acquisition opportunities, through net cash flows provided by operating activities and its credit facilities, the Company intends to satisfy such requirements through a combination of funding sources which the Company believes will be available to it, including the issuance of UPREIT Units, additional common or preferred equity, proceeds from the sale of properties, and additional long-term secured or unsecured indebtedness.

**Sources and Uses of Cash**

As of April 30, 2006, the Company had three unsecured lines of credit, each in the amount of $10.0 million, from (1) Bremer Bank, Minot, ND; (2) First Western Bank and Trust, Minot, ND; and (3) First International Bank and Trust, Watford City, ND. The Company had $3.5 million outstanding under the First Western Bank credit line as of April 30, 2006, and had no outstanding borrowings on the other two lines as of April 30, 2006. Borrowings under the lines of credit bear interest based on the following for each of the lines of credit described above, respectively: (1) Wall Street Journal prime rate, or Libor plus 2.50% for periods of 90 days or more, (2) the Wall Street Journal prime rate, and (3) the Wall Street Journal prime rate. Increases in interest rates will increase the Company's interest expense on any borrowings under its lines of credit and as a result will affect the Company's results of operations and cash flows. The Company's lines of credit with Bremer Bank and First Western Bank expire September 14, 2006, and October 15, 2006, respectively. The Company's line of credit with First International Bank and Trust expires on December 13, 2006. The Company will seek to renew each of these three lines of credit prior to their expiration.

In February 2004, the Company filed a shelf registration statement on Form S-3 to offer for sale from time to time common shares and preferred shares. This registration statement was declared effective in April 2004. We may sell any combination of common shares and preferred shares up to an aggregate initial offering price of $150 million during the period that the registration statement remains effective. The Company did not issue any common or



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preferred shares under this registration statement in fiscal year 2006. The Company issued 1,652 common shares under this registration statement in fiscal year 2005, for net proceeds of $15.8 million. As of April 30, 2006, the Company had available securities under this registration statement in the aggregate amount of approximately $101.5 million.

The Company has a Distribution Reinvestment Plan ("DRIP"). The DRIP provides shareholders of the Company an opportunity to invest their cash distributions in common shares of the Company at a discount of 5% from the market price. During fiscal year 2006, 1.2 million common shares were issued under this plan, with an additional 1.1 million common shares issued during fiscal year 2005.

The issuance of UPREIT Units for property acquisitions continues to be a source of capital for the Company. Approximately 1.1 million units were issued in connection with property acquisitions during fiscal year 2006, and approximately 2.0 million units were issued in connection with property acquisitions during fiscal year 2005.

Primarily as a result of the conversion of UPREIT units and the issuance of common shares pursuant to our distribution reinvestment plan, net of fractional shares repurchased, the Company's equity capital increased during fiscal 2006 by $15.2 million. Additionally, the equity capital of the Company was increased by $11.0 million as a result of contributions of real estate in exchange for UPREIT units, as summarized above, resulting in a total increase in equity capital for the Company during fiscal year 2006 of $26.2 million.

Cash and cash equivalents on April 30, 2006 totaled $17.5 million, compared to $23.5 million and $31.7 million on the same date in 2005 and 2004, respectively. Net cash provided from operating activities increased to $48.4 million in fiscal year 2006 from $48.3 million in fiscal year 2005, due primarily to increased net income as a result of higher occupancy rates at Company properties. Net cash provided from operating activities increased to $46.7 million in fiscal year 2005 from $28.7 million in fiscal year 2004, due primarily to increased net income and increase in the non-cash item depreciation and amortization.

Net cash used in investing activities increased to $82.6 million in fiscal year 2006, from $70.4 million in fiscal year 2005. Net cash used in investing activities was $140.3 million in fiscal year 2004. The increase in net cash used in investing activities in fiscal year 2006 compared to fiscal year 2005 was primarily a result of fewer proceeds from sales of properties. Net cash provided from financing activities also increased to $28.2 million during fiscal year 2006, from $14.0 million during fiscal year 2005, due primarily to an increase in proceeds received from mortgage borrowings and refinancings. Net cash provided from financing activities also decreased to $14.0 million during fiscal year 2005 from $122.7 million during fiscal year 2004 due to fewer offerings of equity securities compared to the previous year.

**Financial Condition**

*Mortgage Loan Indebtedness.* Mortgage loan indebtedness increased to $765.9 million on April 30, 2006, due to the acquisition of new investment properties, from $708.6 million on April 30, 2005. Approximately 96.8% of such mortgage debt is at fixed rates of interest, with staggered maturities. This limits the Company's exposure to changes in interest rates, which minimizes the effect of interest rate fluctuations on the Company's results of operations and cash flows. As of April 30, 2006, the weighted average rate of interest on the Company's mortgage debt was 6.03%, compared to 6.08% on April 30, 2005.

*Notes Payable.* As of April 30, 2006, the Company had $3.5 million outstanding under its unsecured credit line with First Western Bank and Trust, Minot, N.D. The Company had no amounts outstanding under its credit lines as of April 30, 2005.

*Mortgage Loans Receivable.* Mortgage loans receivable decreased to $0.4 million at April 30, 2006, from $0.6 million at April 30, 2005.

*Real Estate Owned.* Real estate owned increased to $1,269.4 million at April 30, 2006, from $1,179.9 million at April 30, 2005. The increase resulted primarily from the acquisition of the additional investment properties net of dispositions as described in the "Property Acquisitions" and "Property Dispositions" subsections of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

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*Investment Certificates.* We discontinued the issuance of investment certificates in April 2002. As of April 30, 2006, $2.5 million of such certificates were outstanding.

*Cash and Cash Equivalents.* Cash and cash equivalents on April 30, 2006, totaled $17.5 million, compared to $23.5 million on April 30, 2005. The decrease in cash on hand on April 30, 2006, as compared to April 30, 2005, was due primarily to fewer proceeds from the issuance of common stock.

*Marketable Securities.* During fiscal year 2006, IRET decreased its investment in marketable securities classified as available-for-sale to $2.4 million on April 30, 2006, from $2.5 million on April 30, 2005. Marketable securities are held available for sale and, from time to time, the Company invests excess funds in such securities or uses the funds so invested for operational purposes.

*Operating Partnership Units.* Outstanding limited partnership units in the Operating Partnership increased to 13.7 million units on April 30, 2006, compared to 13.1 million units outstanding on April 30, 2005. The increase in units outstanding at April 30, 2006 as compared to April 30, 2005, resulted primarily from the issuance of additional limited partnership units to acquire interests in real estate, net of units converted to shares.

*Common and Preferred Shares of Beneficial Interest.* Common shares of beneficial interest outstanding on April 30, 2006 totaled 46.9 million compared to 45.2 million common shares outstanding on April 30, 2005. This increase in common shares outstanding from April 30, 2005, to April 30, 2006, was primarily due to the issuance of common shares pursuant to our distribution reinvestment plan. Preferred shares of beneficial interest outstanding on April 30, 2006 and 2005 totaled 1.15 million.

**Contractual Obligations and Other Commitments**

The primary contractual obligations of the Company relate to its borrowings under its three lines of credit and mortgage notes payable. The Company had $3.5 million outstanding under its lines of credit at April 30, 2006. The principal and interest payments on the mortgage notes payable for the years subsequent to April 30, 2006, are included in the table below as “long-term debt.” The other debt category consists of two unsecured promissory notes for leasehold improvements at two of our properties, Southdale Medical Center in Edina, Minnesota, and the Wells Fargo Building in St. Cloud, Minnesota.

The Company has sold investment certificates to the public, with interest rates varying from 6.5% to 9.0% per annum. The sales of these investment certificates has been discontinued and the outstanding certificates will be redeemed as they mature. Amounts due with respect to these investment certificates are reflected in the “Investment Certificates” category below.

As of April 30, 2006, the Company is a tenant under operating ground leases on seven of its properties. The Company pays a total of approximately $309,000 per year in rent under these ground leases, which have terms ranging from 7 to 90 years, and expiration dates ranging from July 2012 to April 2095.

Purchase obligations of the Company represent those costs that the Company is contractually obligated to pay in the future. The Company’s significant contractual obligations as of April 30, 2006, which the Company expects to finance through debt and operating cash, are summarized in the following table. The significant components in this category are costs for construction and expansion projects and capital improvements at the Company’s properties. Contractual obligations that are contingent upon the achievement of certain milestones are not included in the table below, nor are service orders or contracts for the provision of routine maintenance services at our properties, such as landscaping and grounds maintenance, since these arrangements are generally based on current needs, are filled by our service providers within short time horizons, and may be cancelled without penalty. The expected timing of payment of the obligations discussed below is estimated based on current information.



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| | *(in thousands)* | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less Than 1 Year** | **1-3 Years** | **3-5 Years** | **More than 5 Years** |
| Long-term debt (principal and interest) | $ 1,120,952 | $ 74,116 | $ 180,587 | $281,513 | $ 584,736 |
| Investment Certificates | $ 2,451 | $ 2,440 | $ 11 | $ 0 | $ 0 |
| Operating Lease Obligations | $ 19,247 | $ 309 | $ 618 | $ 618 | $ 17,702 |
| Purchase Obligations | $ 11,918 | $ 11,100 | $ 818 | $ 0 | $ 0 |

**Off-Balance-Sheet Arrangements**

As of April 30, 2006, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

**Recent Developments**

*Common and Preferred Share Distributions.* On June 30, 2006, the Company paid a distribution of 51.56 cents per share on the Company's Series A Cumulative Redeemable Preferred Shares to preferred shareholders of record on June 15, 2006. On July 3, 2006, the Company paid a distribution of 16.45 cents per share on the Company's common shares of beneficial interest, to common shareholders and UPREIT unitholders of record on June 16, 2006. This distribution represented an increase of .05 cents or .3% over the previous regular quarterly distribution of 16.40 cents per common share/unit paid April 3, 2006.

*Closed and Pending Acquisitions*. Subsequent to its April 30, 2006 fiscal year end, the Company closed on its acquisition of a small retail property in Minot, North Dakota, for a purchase price of approximately $625,000. Additionally, subsequent to its April 30, 2006 fiscal year end, the Company announced that it has signed an agreement to acquire an office portfolio comprised of nine properties, consisting of 15 buildings totaling 936,320 rentable square feet, for $140.8 million (including the assumption of existing debt on the portfolio) from subsidiaries of Omaha-based Magnum Resources, Inc., a real estate services and investment firm founded by W. David Scott. The acquisition price will be funded with the issuance of up to approximately $60 million of limited partnership units in the Company's operating partnership, IRET Properties. The closing of this portfolio acquisition is expected to occur on or before September 1, 2006. However, the closing of this transaction is subject to the satisfaction of certain closing conditions, and, accordingly, no assurances can be given that the acquisition will be completed.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Our exposure to market risk is limited primarily to fluctuations in the general level of interest rates on our current and future fixed and variable rate debt obligations, and secondarily to our deposits with and investments in certain products issued by various financial institutions.

*Variable interest rates.* Because approximately 97% of our debt, as of April 30, 2006 (96% as of April 30, 2005), is at fixed interest rates, we have little exposure to interest rate fluctuation risk on our existing debt, and accordingly interest rate increases during fiscal year 2006 did not have a material effect on the Company. However, even though our goal is to maintain a fairly low exposure to interest rate risk, we are still vulnerable to significant fluctuations in interest rates on any future repricing or refinancing of our fixed or variable rate debt and on future debt. We primarily use long-term (more than nine years) and medium term (five to seven years) debt as a source of capital. We do not currently use derivative securities, interest-rate swaps or any other type of hedging activity to manage our interest rate risk. As of April 30, 2006, we had the following amount of future principal and interest payments due on mortgages secured by our real estate.

| | **Future Principal Payments** ***(in thousands)*** | | | | | | |
|---|---|---|---|---|---|---|---|
| **Long Term Debt** | **2007** | **2008** | **2009** | **2010** | **2011** | **Thereafter** | **Total** |
| Fixed Rate | $ 23,027 | $ 40,590 | $ 42,694 | $107,076 | $ 99,186 | $ 429,002 | $ 741,575 |
| Variable Rate | 1,141 | 1,206 | 3,129 | 1,212 | 1,286 | 16,341 | 24,315 |
| | | | | | | | $ 765,890 |
| Average Interest Rate (%) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |



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| | **Future Interest Payments** ***(in thousands)*** | | | | | | |
|---|---|---|---|---|---|---|---|
| **Long Term Debt** | **2007** | **2008** | **2009** | **2010** | **2011** | **Thereafter** | **Total** |
| Fixed Rate | $ 47,874 | $ 46,270 | $ 42,850 | $ 38,227 | $ 31,129 | $ 137,160 | $ 343,510 |
| Variable Rate | 2,074 | 2,010 | 1,838 | 1,736 | 1,661 | 2,233 | 11,552 |
| | | | | | | | $ 355,062 |
| Average Interest Rate (%) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |

*(1)The weighted average interest rate on our debt as of April 30, 2006, was 6.03%. Any fluctuations in variable interest rates could increase or decrease our interest expenses. For example, an increase of one percent per annum on our $24.3 million of variable rate indebtedness would increase our annual interest expense by $243,000.*

*Marketable Securities.* IRET's investments in securities are classified as "available-for-sale." The securities classified as "available-for-sale" represent investments in debt and equity securities which the Company intends to hold for an indefinite period of time. As of April 30, 2006 and 2005, IRET had approximately $2.4 million and $2.5 million, respectively, of marketable securities classified as "available-for-sale," consisting of securities of various issuers, primarily U.S. Government, U.S. agency and corporate bonds and bank certificates of deposit, held in IRET Properties' security deposit account with Merrill Lynch. IRET had approximately $2.3 million of securities classified as "available-for-sale" as of April 30, 2004. The values of these securities will fluctuate with changes in market interest rates. As of April 30, 2006 and 2005 the unrealized loss recorded in other comprehensive income on these securities was $48,000 and $22,000, respectively.

*Investments with Certain Financial Institutions*. IRET has entered into a cash management arrangement with First Western Bank with respect to deposit accounts with First Western Bank that exceed FDIC Insurance coverage. On a daily basis, account balances are invested in U.S. Government securities sold to IRET by First Western Bank. IRET can require First Western Bank to repurchase such securities at any time, at a purchase price equal to what IRET paid for the securities, plus interest. First Western Bank automatically repurchases obligations when collected amounts on deposit in IRET's deposit accounts fall below the maximum insurance amount, with the proceeds of such repurchases being transferred to IRET's deposit accounts to bring the amount on deposit back up to the threshold amount. The amounts invested by IRET pursuant to the repurchase agreement are not insured by FDIC.

*Deposits exceeding FDIC insurance.* The Company is potentially exposed to off-balance-sheet risk in respect of cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

**Item 8. Financial Statements and Supplementary Data**

Financial statements required by this item appear with an Index to Financial Statements and Schedules, starting on page F-1 of this report.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. Controls and Procedures**

Disclosure Controls and Procedures: As of April 30, 2006, the end of the period covered by this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange act of 1934, as amended). Based upon that evaluation, the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings.

Internal Control Over Financial Reporting: There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of Investors Real Estate Trust (together with its consolidated subsidiaries, the "Company'), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with United States generally accepted accounting principles.

As of April 30, 2006, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting, based on the framework established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of April 30, 2006, is effective.

The Company’s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and acquisitions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the trustees of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company’s financial statements.

Management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of April 30, 2006, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing below, which expresses unqualified opinions on management’s assessment and on the effectiveness of the Company’s internal control over financial reporting as of April 30, 2006.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Trustees and Shareholders of
Investors Real Estate Trust
Minot, North Dakota

We have audited management's assessment, included in the accompanying Management’s Report on Internal Control Over Financial Reporting, that Investors Real Estate Trust and subsidiaries (the “Company”) maintained effective internal control over financial reporting as of April 30, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of trustees, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of April 30, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2006, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended April 30, 2006, of the Company and our report dated July 6, 2006, expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, MN
July 6, 2006



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**Item 9B. Other Information**

None.

**PART III**

**Item 10. Trustees and Executive Officers of the Registrant**

Information regarding executive officers required by this Item is set forth in Part I, Item 1 of this Annual Report on Form 10-K pursuant to Instruction 3 to Item 401(b) of Regulation S-K. Other information required by this Item will be included in our definitive Proxy Statement for our 2006 Annual Meeting of Shareholders and such information is incorporated herein by reference.

**Item 11. Executive Compensation**

The information required by this Item will be contained in our definitive Proxy Statement for our 2006 Annual Meeting of Shareholders and such information is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item will be contained in our definitive Proxy Statement for our 2006 Annual Meeting of Shareholders and such information is incorporated herein by reference. We do not have any equity compensation plans and, accordingly, are not required to include the disclosure required by Item 201(d) of Regulation S-K.

**Item 13. Certain Relationships and Related Transactions**

The information required by this Item will be contained in our definitive Proxy Statement for our 2006 Annual Meeting of Shareholders and such information is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

The information required by this Item will be contained in our definitive Proxy Statement for our 2006 Annual Meeting of Shareholders and such information is incorporated herein by reference.



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## PART IV

**Item 15. Exhibits, Financial Statement Schedules**

(a) *The following documents are filed as part of this report*:

1. **Financial Statements**

The response to this portion of Item 15 is submitted as a separate section of this report. See the table of contents to Financial Statements and Supplemental Data.

2. **Financial Statement Schedules**

The response to this portion of Item 15 is submitted as a separate section of this report. The following financial statement schedules should be read in conjunction with the financial statements referenced in Part II, Item 8 of this Annual Report on Form 10-K:

III Real Estate Owned and Accumulated Depreciation

IV Investments in Mortgage Loans on Real Estate

3. **Exhibits**

See the list of exhibits set forth in part (b) below.

(b) The following is a list of Exhibits to this Annual Report on Form 10-K. We will furnish a copy of any exhibit listed below to any security holder who requests it upon payment of a fee of 15 cents per page. All Exhibits are either contained in this Annual Report on Form 10-K or are incorporated by reference as indicated below.

3.1 **Articles of Amendment and Third Restated Declaration of Trust of Investors Real Estate Trust**, dated September 23, 2003, and incorporated herein by reference to Exhibit A to the Company's Definitive Proxy Statement on Schedule 14A for the 2003 Annual Meeting of Shareholders, filed with the SEC on August 13, 2003.

3.2 **Second Restated Trustees' Regulations (Bylaws),** dated September 24, 2003, and incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2003, filed with the SEC on December 15, 2003.

3.3 **Agreement of Limited Partnership of IRET Properties, A North Dakota Limited Partnership,** dated January 31, 1997, filed as Exhibit 3(ii) to the Registration Statement on Form S-11, effective March 14, 1997 (SEC File No. 333-21945) filed for the Registrant on February 18, 1997, (File No. 0-14851) and incorporated herein by reference.

3.4 **Articles Supplementary** classifying and designating 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, filed as Exhibit 3.2 to the Company's Form 8-A filed on April 22, 2004, and incorporated herein by reference.

10.1 **Member Control and Operating Agreement** dated September 30, 2002, filed as Exhibit 10 to the Company's Form 8-K filed October 15, 2003, and incorporated herein by reference.

10.2 **Letter Agreement** dated January 31, 2003, filed as Exhibit 10(i) to the Company's Form 8-K filed February 27, 2003, and incorporated herein by reference.

10.3 **Option Agreement** dated January 31, 2003, filed as Exhibit 10(ii) to the Company's Form 8-K filed February 27, 2003, and incorporated herein by reference.



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10.4 **Financial Statements** of T.F. James Company filed as Exhibit 10 to the Company's Form 8-K filed January 31, 2003, and incorporated herein by reference.

10.5 **Agreement for Purchase and Sale of Property** dated February 13, 2004, by and between IRET Properties and the Sellers specified therein, filed as Exhibit 10.5 to the Company's Form 10-K filed July 20, 2004, and incorporated herein by reference.

10.6 **Description of Compensation of Executive Officers,** filed as Exhibit 10 to the Company's Form 10-Q filed March 11, 2005, and incorporated herein by reference.

10.7 **Description of Compensation of Executive Officers,** filed as Exhibit 10 to the Company's Form 10-Q filed December 12, 2005, and incorporated herein by reference.

10.8 **Contribution Agreement,** filed as Exhibit 10.1 to the Company's Form 8-K filed May 17, 2006, and incorporated herein by reference.

21.1 **Subsidiaries of Investors Real Estate Trust,** filed herewith.

23.1 **Consent of Deloitte & Touche LLP,** filed herewith.

31.1 **Section 302 Certification of President and Chief Executive Officer,** filed herewith.

31.2 **Section 302 Certification of Senior Vice President and Chief Financial Officer,** filed herewith.

32.1 **Section 906 Certification of the President and Chief Executive Officer,** filed herewith.

32.2 **Section 906 Certification of the Senior Vice President and Chief Financial Officer,** filed herewith.



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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 12, 2006

**Investors Real Estate Trust**

| | |
|---|---|
| By: | /s/ Thomas A. Wentz, Sr. |
| | Thomas A. Wentz, Sr. |
| | President & Chief Executive Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature | Title | Date |
|---|---|---|
| /s/ Jeffrey L. Miller | | |
| Jeffrey L. Miller | Trustee & Chairman | July 12, 2006 |
| /s/ Daniel L. Feist | | |
| Daniel L. Feist | Trustee & Vice Chairman | July 12, 2006 |
| /s/ Thomas A. Wentz. Sr. | | |
| Thomas A. Wentz, Sr. | President & Chief Executive Officer (Principal Executive Officer) | July 12, 2006 |
| /s/ Timothy P. Mihalick | | |
| Timothy P. Mihalick | Trustee, Senior Vice President & Chief Operating Officer | July 12, 2006 |
| /s/ Thomas A. Wentz, Jr. | | |
| Thomas A. Wentz, Jr. | Trustee & Senior Vice President | July 12, 2006 |

| | | |
|---|---|---|
| /s/ Diane K. Bryantt | | |
| Diane K. Bryantt | Senior Vice President & Chief Financial Officer (Principal Financial and Accounting Officer) | July 12, 2006 |
| | | |
| /s/ John D. Stewart | | |
| John D. Stewart | Trustee | July 12, 2006 |
| | | |
| /s/ Patrick G. Jones | | |
| Patrick G. Jones | Trustee | July 12, 2006 |
| | | |
| /s/ Stephen L. Stenehjem | | |
| Stephen L. Stenehjem | Trustee | July 12, 2006 |



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**INVESTORS REAL ESTATE TRUST**
**AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
*April 30, 2006, 2005 and 2004*

ADDITIONAL INFORMATION
FOR THE YEAR ENDED
*April 30, 2006*

and

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

PO Box 1988
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Minot, ND 58702-1988
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info@iret.com
*www.iret.com*



**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

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*Schedules other than those listed above are omitted since they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes thereon.*



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Turstees and Shareholders of
Investors Real Estate Trust
Minot, North Dakota

We have audited the accompanying consolidated balance sheets of Investors Real Estate Trust and subsidiaries (the "Company") as of April 30, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three fiscal years in the period ended April 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2006 and 2005, and the results of its operations, and its cash flows for each of the three fiscal years in the period ended April 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of April 30, 2006, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 6, 2006, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, MN
July 6, 2006



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEETS
*April 30, 2006 and 2005*

| | ***(in thousands)*** **2006** | **2005** |
|---|---|---|
| ASSETS | | |
| Real estate investments | | |
| Property owned | $ 1,269,423 | $ 1,179,856 |
| Less accumulated depreciation | (148,607) | (118,512) |
| | 1,120,816 | 1,061,344 |
| Undeveloped land | 5,175 | 5,382 |
| Mortgage loans receivable, net of allowance | 409 | 619 |
| Total real estate investments | 1,126,400 | 1,067,345 |
| Other Assets | | |
| Cash and cash equivalents | 17,485 | 23,538 |
| Marketable securities - available-for-sale | 2,402 | 2,459 |
| Receivable arising from straight-lining of rents, net of allowance | 9,474 | 7,213 |
| Accounts receivable net of allowance | 2,364 | 1,390 |
| Real estate deposits | 1,177 | 2,542 |
| Prepaid and other assets | 436 | 1,160 |
| Intangible assets, net of accumulated amortization | 26,449 | 24,517 |
| Tax, insurance, and other escrow | 8,893 | 9,068 |
| Property and equipment, net | 1,506 | 2,462 |
| Goodwill | 1,441 | 1,441 |
| Deferred charges and leasing costs net | 9,288 | 8,023 |
| TOTAL ASSETS | $ 1,207,315 | $ 1,151,158 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEETS *(continued)*
*April 30, 2006 and 2005*

| | ***(in thousands)*** **2006** | **2005** |
|---|---|---|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | $ 24,223 | $ 21,795 |
| Notes payable | 3,500 | 0 |
| Mortgages payable | 765,890 | 708,558 |
| Investment certificates issued | 2,451 | 4,636 |
| Other | 1,075 | 1,966 |
| TOTAL LIABILITIES | 797,139 | 736,955 |
| COMMITMENTS AND CONTINGENCIES (NOTE 16) | | |
| MINORITY INTEREST IN OTHER PARTNERSHIPS | 16,403 | 15,860 |
| MINORITY INTEREST OF UNIT HOLDERS IN OPERATING PARTNERSHIP | 104,213 | 103,171 |
| *(13,685,522 units at April 30, 2006 and 13,114,460 units at April 30, 2005)* | | |
| SHAREHOLDERS' EQUITY | | |
| Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value,1,150,000 shares issued and outstanding at April 30, 2006 and 2005, aggregate liquidation preference of $28,750,000)* | 27,317 | 27,317 |
| Common Shares of Beneficial Interest *(Unlimited authorization, no par value, 46,915,352 shares outstanding at April 30, 2006, and 45,187,676 shares outstanding at April 30, 2005)* | 339,384 | 324,180 |
| Accumulated distributions in excess of net income | (77,093) | (56,303) |
| Accumulated other comprehensive loss | (48) | (22) |
| Total shareholders' equity | 289,560 | 295,172 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 1,207,315 | $ 1,151,158 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF OPERATIONS
*for the years ended April 30, 2006, 2005, and 2004*

| | **(*in thousands*, except per share data)** **2006** | **2005** | **2004** |
|---|---|---|---|
| REVENUE | | | |
| Real estate rentals | $ 144,349 | $ 130,023 | $ 111,809 |
| Tenant reimbursement | 28,450 | 25,193 | 21,021 |

| | | | |
|---|---|---|---|
| TOTAL REVENUE | 172,799 | 155,216 | 132,830 |
| OPERATING EXPENSE | | | |
| Interest | 51,390 | 48,013 | 42,053 |
| Depreciation/amortization related to real estate investments | 37,413 | 33,491 | 23,706 |
| Utilities | 13,675 | 10,820 | 9,534 |
| Maintenance | 19,492 | 16,283 | 14,863 |
| Real estate taxes | 20,023 | 18,416 | 16,412 |
| Insurance | 2,707 | 2,603 | 2,823 |
| Property management expenses | 12,004 | 10,286 | 8,618 |
| Property management expenses - related party | 0 | 284 | 743 |
| Administrative expense | 3,674 | 3,845 | 2,673 |
| Advisory and trustee services | 221 | 103 | 104 |
| Other operating expenses | 1,292 | 1,430 | 1,132 |
| Amortization related to non-real estate investments | 689 | 372 | 122 |
| Amortization of related party costs | 56 | 58 | 45 |
| Loss on impairment of real estate investment | 409 | 0 | 0 |
| TOTAL OPERATING EXPENSE | 163,045 | 146,004 | 122,828 |
| Operating income | 9,754 | 9,212 | 10,002 |
| Non-operating income | 1,241 | 986 | 648 |
| Income before minority interest and discontinued operations and gain on sale of other investments | 10,995 | 10,198 | 10,650 |
| Gain on sale of other investments | 23 | 3 | 158 |
| Minority interest portion of operating partnership income | (1,863) | (1,801) | (2,274) |
| Minority interest portion of other partnerships' income | (484) | (379) | (757) |
| Income from continuing operations | 8,671 | 8,021 | 7,777 |
| Discontinued operations, net | 2,896 | 7,055 | 1,663 |
| NET INCOME | 11,567 | 15,076 | 9,440 |
| Dividends to preferred shareholders | (2,372) | (2,372) | (33) |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | $ 9,195 | $ 12,704 | $ 9,407 |
| Earnings per common share from continuing operations | $ .14 | $ .13 | $ .20 |
| Earnings per common share from discontinued operations | .06 | .17 | .04 |
| NET INCOME PER COMMON SHARE BASIC & DILUTED | $ .20 | $ .30 | $ .24 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

*for the years ended April 30, 2006, 2005, and 2004*

***(in thousands)***

| | NUMBER OF PREFERRED SHARES | PREFERRED SHARES | NUMBER OF COMMON SHARES | COMMON SHARES | ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME | ACCUMULATED OTHER COMPRE-HENSIVE (LOSS) | TOTAL SHARE-HOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| BALANCE May 1, 2003 | 0 | $ 0 | 36,166 | $240,645 | $ (25,884) | $ 0 | $ 214,761 |
| Comprehensive Income | | | | | | | |
| Net income | | | | | 9,440 | | 9,440 |
| Unrealized loss for the period on securities available-for-sale | | | | | | (31) | (31) |
| Total comprehensive income | | | | | | | $ 9,409 |
| Distributions - common shares | | | | | (24,606) | | (24,606) |
| Distributions - preferred shares | | | | | (33) | | (33) |
| Distribution reinvestment plan | | | 1,067 | 10,157 | | | 10,157 |
| Sale of shares | 1,150 | 27,343 | 4,068 | 38,307 | | | 65,650 |
| Redemption of units for common shares | | | 393 | 3,303 | | | 3,303 |
| Fractional shares repurchased | | | (1) | (12) | | | (12) |
| BALANCE APRIL 30, 2004 | 1,150 | 27,343 | 41,693 | 292,400 | (41,083) | (31) | 278,629 |
| Comprehensive Income | | | | | | | |
| Net income | | | | | 15,076 | | 15,076 |
| Unrealized gain for the period on securities available-for-sale | | | | | | 9 | 9 |
| Total comprehensive income | | | | | | | $ 15,085 |
| Distributions - common shares | | | | | (27,892) | | (27,892) |
| Distributions - preferred shares | | | | | (2,404) | | (2,404) |
| Distribution reinvestment plan | | | 1,146 | 10,738 | | | 10,738 |
| Sale of shares | | (26) | 1,652 | 15,774 | | | 15,748 |
| Redemption of units for common shares | | | 701 | 5,306 | | | 5,306 |
| Fractional shares repurchased | | | (4) | (38) | | | (38) |
| BALANCE APRIL 30, 2005 | 1,150 | 27,317 | 45,188 | 324,180 | (56,303) | (22) | 295,172 |
| Comprehensive Income | | | | | | | |
| Net income | | | | | 11,567 | | 11,567 |
| Unrealized gain for the period on | | | | | | (26) | (26) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| securities available-for-sale | | | | | | | |
| Total comprehensive income | | | | | | | $ 11,541 |
| Distributions - common shares | | | | | (29,985) | | (29,985) |
| Distributions - preferred shares | | | | | (2,372) | | (2,372) |
| Distribution reinvestment plan | | | 1,213 | 11,076 | | | 11,076 |
| Sale of shares | | | 15 | 139 | | | 139 |
| Redemption of units for common shares | | | 501 | 4,006 | | | 4,006 |
| Fractional shares repurchased | | | (2) | (17) | | | (17) |
| BALANCE APRIL 30, 2006 | 1,150 | $ 27,317 | 46,915 | $339,384 | $ (77,093) | $ (48) | $ 289,560 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

*for the years ended April 30, 2006, 2005, and 2004*

| | | ***(in thousands)*** | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Income | $ 11,567 | $ 15,076 | $ 9,440 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 39,219 | 35,803 | 26,034 |
| Minority interest portion of income | 3,189 | 4,252 | 3,509 |
| Gain on sale of real estate, land and other investments | (3,293) | (8,605) | (662) |
| Interest reinvested in investment certificates | 127 | 243 | 303 |
| Loss on impairment of real estate investment | 409 | 570 | 62 |
| Bad debt expense, net of recoveries | 167 | 359 | 360 |
| Changes in other assets and liabilities: | | | |
| Increase in receivable arising from straight-lining of rents | (2,261) | (1,314) | (1,731) |
| (Increase) decrease in accounts receivable | (1,137) | 457 | (1,183) |
| Decrease (increase) in prepaid and other assets | 724 | 1,517 | (2,746) |
| Decrease (increase) in tax, insurance and other escrow | 175 | 2,233 | (3,098) |
| Increase in deferred charges and leasing costs | (2,914) | (2,921) | (2,426) |
| Increase in accounts payable, accrued expenses and other liabilities | 2,428 | 611 | 3,469 |
| Net cash provided by operating activities | 48,400 | 48,281 | 31,331 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of marketable securities - available-for-sale | 174 | 0 | 2,500 |

| | | | |
|---|---|---|---|
| Proceeds/payments of real estate deposits | 1,365 | (975) | (2,604) |
| Principal proceeds on mortgage loans receivable | 210 | 4,274 | 3,232 |
| Investment in mortgage loans receivable | 0 | 0 | (6,625) |
| Purchase of marketable securities - available-for-sale | (57) | (35) | (4,867) |
| Proceeds from sale of real estate, land and investments | 13,480 | 47,877 | 3,743 |
| Payments for acquisitions and improvement of real estate investments | (97,810) | (121,544) | (135,658) |
| Net cash used by investing activities | (82,638) | (70,403) | (140,279) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from sale of common shares, net of issuance costs | 139 | 15,742 | 38,307 |
| Proceeds from sale of preferred shares, net of issuance costs | 0 | (26) | 27,343 |
| Proceeds from mortgages payable | 80,276 | 115,460 | 130,191 |
| Proceeds from minority partner Brenwood/Dixon | 248 | 161 | 0 |
| Proceeds from notes payable | 3,500 | 13 | 49,988 |
| Repurchase of fractional shares and minority interest units | (17) | (38) | (12) |
| Distributions paid to common shareholders, net of reinvestment | (19,649) | (17,923) | (15,173) |
| Distributions paid to preferred shareholders | (2,372) | (2,207) | (33) |
| Distributions paid to unitholders of operating partnership | (7,881) | (7,318) | (6,330) |
| Distributions paid to other minority partners | (189) | (1,064) | (1,555) |
| Redemption of investment certificates | (2,312) | (2,682) | (2,264) |
| Principal payments on mortgages payable | (23,482) | (61,097) | (62,125) |
| Principal payments on notes payable and other debt | (76) | (25,065) | (35,649) |
| Net cash provided by financing activities | 28,185 | 13,956 | 122,688 |
| NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS | (6,053) | (8,166) | 13,740 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 23,538 | 31,704 | 17,964 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 17,485 | $ 23,538 | $ 31,704 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.





**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

*for the years ended April 30, 2006, 2005, and 2004*

| | | ***(in thousands)*** | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES | | | |
| Distribution reinvestment plan | $ 10,336 | $ 9,969 | $ 9,433 |
| UPREIT distribution reinvestment plan | 741 | 769 | 724 |
| Preferred dividends payable | 0 | 197 | 33 |
| Property acquired through issue of shares | 0 | 32 | 0 |
| Real estate investment acquired through assumption of mortgage loans payable and accrual of costs | 0 | 21,071 | 25,660 |

| | | | |
|---|---|---|---|
| Mortgage loan receivable transferred to other assets | 0 | 0 | 158 |
| Mortgage loan receivable from sale of property | 0 | 0 | 475 |
| Other assets acquired | 129 | 134 | 0 |
| Other debt reclassified to mortgage payable | 539 | 0 | 0 |
| Assets acquired through the issuance of minority interest units in the operating partnership | 10,898 | 20,071 | 19,851 |
| Minority partner interest | 0 | 0 | 2,701 |
| Operating partnership units converted to shares | 4,006 | 5,306 | 3,303 |
| | | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Cash paid during the year for: | | | |
| Interest on mortgages | $ 49,900 | $ 46,647 | $ 41,197 |
| Interest on investment certificates | 231 | 254 | 376 |
| Interest on margin account and other | 100 | 370 | 991 |
| | $ 50,231 | $ 47,271 | $ 42,564 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*April 30, 2006, 2005, and 2004*

## NOTE 1 • ORGANIZATION

Investors Real Estate Trust (“IRET” or the “Company”) is a self-advised real estate investment trust engaged in acquiring, owning and leasing multi-family and commercial real estate. IRET has elected to be taxed as a Real Estate Investment Trust (“REIT”) under Sections 856-860 of the Internal Revenue Code of 1986, as amended. REITs are subject to a number of organizational and operational requirements, including a requirement to distribute 90% of ordinary taxable income to shareholders, and, generally, are not subject to federal income tax on net income. IRET’s multi-family residential properties and commercial properties are located mainly in the states of North Dakota and Minnesota, but also in the states of Colorado, Idaho, Iowa, Georgia, Kansas, Montana, Nebraska, South Dakota, Texas, Michigan and Wisconsin. As of April 30, 2006, IRET owned 66 multi-family residential properties with approximately 8,648 apartment units and 145 commercial properties, consisting of office, medical, industrial and retail properties, totaling approximately 8.7 million net rentable square feet. IRET conducts a majority of its business activities through its consolidated operating partnership, IRET Properties, a North Dakota Limited Partnership (the “Operating Partnership”), as well as through a number of other subsidiary entities.

All references to IRET or the Company refer to Investors Real Estate Trust and its consolidated subsidiaries.

## NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of IRET and all subsidiaries in which it maintains a controlling interest. All significant intercompany balances and transactions are eliminated in consolidation. The Company’s fiscal year ends April 30th.

The accompanying consolidated financial statements include the accounts of IRET and its general partnership interest in the Operating Partnership. The Company's interest in the Operating Partnership was 77.4% as of April 30, 2006, which includes 100% of the general partnership interest. The limited partners have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, IRET has the option of redeeming the limited partners' interests ("Units") for IRET common shares of beneficial interest, on a one-for-one basis, or for cash payment to the unitholder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units (provided, however, that not more than two redemptions by a limited partner may occur during each calendar year, and each limited partner may not exercise the redemption for less than 1,000 Units, or, if such limited partner holds less than 1,000 Units, for all of the Units held by such limited partner). Some limited partners have contractually agreed to a holding period of greater than one year.

The consolidated financial statements also reflect the ownership by the Operating Partnership of certain joint venture entities in which the Operating Partnership has a general partner or controlling interest. These entities are consolidated into IRET's other operations with minority interests reflecting the minority partners' share of ownership and income and expenses.

**RECENT ACCOUNTING PRONOUNCEMENTS**

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets - Amendment of APB Opinion No. 29.* The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 on its effective date did not have a material effect on the Company's consolidated financial statements.



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**NOTE 2** • *continued*

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143, Asset Retirement Obligations*. FIN 47 provides clarification of the term "conditional asset retirement obligation" as used in SFAS 143, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. Under this standard, a company must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 became effective in the Company's fiscal quarter ended April 30, 2006. Certain of the Company's real estate assets contain asbestos, lead and/or underground fuel tanks. Although these materials are appropriately contained, in accordance with current environmental regulations, the Company's practice is to remediate asbestos and lead upon the renovation or redevelopment of its properties, if such renovation or redevelopment would disturb the contained materials, and to remove underground fuel tanks if they are no longer in use. The majority of the Company's real estate assets containing asbestos, lead and/or underground fuel tanks are not currently slated for renovation, redevelopment or fuel tank removal and, accordingly, the Company has determined that at this time there is not sufficient information available to reasonably estimate the fair value of the liability The costs associated with asbestos, lead and/or underground fuel tank abatement or removal for those few properties which IRET does have current plans to renovate, demolish or sell have been estimated by IRET and are immaterial, individually and in the aggregate. Accordingly, the adoption of FIN 47 did not have a material impact on the Company's consolidated financial statements.

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on Issue No. 04-05, "Determining Whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" ("EITF 04-05"). EITF 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF 04-05 became effective on June 29, 2005, for all newly formed or modified limited partnership arrangements and January 1, 2006 for all existing limited partnership arrangements. The Company believes that the adoption of this standard will not have a material effect on its consolidated financial statements.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**REAL ESTATE INVESTMENTS**

Real estate investments are recorded at cost less accumulated depreciation and an adjustment for impairment, if any. Acquisitions of real estate investments are recorded based upon preliminary allocations of the purchase price which are subject to adjustment as additional information is obtained, but in no case more than one year after the date of acquisition. The Company allocates the purchase price to the fair value of the tangible and intangible assets of an acquired property (which includes the land, building, and personal property) which are determined by valuing the property as if it were vacant and to fair value of the intangible assets (which include in-place leases.) The as-if-vacant value is allocated to land, buildings, and personal property based on management's determination of the relative fair values 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, independent appraisals, and reference to recent sales of comparables. A 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 single or portfolio acquisition.

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) 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.



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**NOTE 2 •** *continued*

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, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

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.

Expenditures for ordinary maintenance and repairs are expensed 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. Property sales or dispositions are recorded when title transfers and sufficient consideration has been received by the Company.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets,* the Company periodically evaluates its long-lived assets, including its investments in real estate, for impairment indicators. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset and legal and environmental concerns. If indicators exist, the Company compares the expected future undiscounted cash flows for the long-lived asset against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset.

**REAL ESTATE HELD FOR SALE**

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal costs. Depreciation is not recorded on assets classified as held for sale.

In the normal course of business IRET will receive offers to purchase its properties, either solicited or unsolicited. For those offers that are accepted, the prospective buyer will usually require a due diligence period before completion of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. As a result, real estate is not classified as “held-for-sale” until it is probable, in the opinion of management, that a property will be disposed of in the near term, even if sale negotiations for such property are currently under way.

The Company reports, in discontinued operations, the results of operations of a property that has either been disposed of or is classified as held for sale and the related gains or losses, and as a result of discontinued operations, retroactive reclassifications that change prior year numbers have been made.

**IDENTIFIED INTANGIBLE ASSETS AND GOODWILL**

Upon acquisition of real estate, the Company records the intangible assets acquired (for example, if the leases in place for the real estate property acquired carry rents above the market rent, the difference is classified as an intangible asset) at their estimated fair value separate and apart from goodwill. The Company amortizes identified intangible assets that are determined to have finite lives based on the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the real estate property acquired (generally the life of the lease). In fiscal years 2006 and 2005, the Company added $6,898,000 and $15,779,000 of new intangible assets, respectively (net of amortization expense of $1,366,000 and $3,503,000) all of which were classified as in-place leases. The weighted average life of these intangibles are 6.1 years for fiscal 2006 and 5.5 years for fiscal year 2005. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.



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**NOTE 2** • *continued*

The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

As of April 30, 2006 and 2005, respectively, the net carrying amounts of the Company's identified intangible assets, were $26,449,000 and $24,517,000 (net of accumulated amortization of $14,718,000 and $7,724,000), respectively. The estimated annual amortization of the Company's identified intangible assets for each of the five succeeding years is as follows:

| **Year Ended April 30,** | ***(in thousands)*** |
|---|---|
| 2007 | $ 6,950 |
| 2008 | 5,536 |
| 2009 | 3,418 |
| 2010 | 2,578 |
| 2011 | 1,839 |

Goodwill of $1,645,000 was recorded by the Company in July 2000 from the purchase of the Company's former advisor, Odell-Wentz & Associates LLC. Prior to its adoption of SFAS No. 142, the Company elected to amortize the goodwill over a fifteen-year period. Following adoption of SFAS No. 142 on May 1, 2002, the Company ceased amortization and annually reviews the fair market value of the asset, the carrying amount of which was $1,441,000 as of April 30, 2006 and 2005, for impairment. The annual reviews for years ended April 30, 2006 and 2005 indicated no impairment.

**PROPERTY AND EQUIPMENT**

Property and equipment consists of the administrative office buildings and equipment contained at IRET's headquarters in Minot, North Dakota, and other locations in Minneapolis, Minnesota. The balance sheet reflects these assets at cost, net of accumulated depreciation. As of April 30, 2006 and 2005, the cost was $1.5 million and $2.5 million, respectively. Accumulated depreciation was $0.9 million and $0.7 million as of April 30, 2006 and 2005, respectively.

**MORTGAGE LOANS RECEIVABLE**

The mortgage loan receivable is stated at the outstanding principal balance, net of an allowance for uncollectibility. Interest income is accrued and reflected in the balance. Non-performing loans are recognized as impaired in conformity with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*. The Company evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether the loan is impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. An allowance is recorded to reduce impaired loans to their estimated fair value. Interest on impaired loans is recognized on a cash basis.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all cash and highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of the Company's bank deposits and short-term investment certificates acquired subject to repurchase agreements, and the Company's deposits in a money market mutual fund.

**MARKETABLE SECURITIES**

IRET's investments in marketable securities are classified as "available-for-sale." The securities classified as "available-for-sale" represent investments in debt and equity securities which the Company intends to hold for an indefinite period of time. These securities are valued at current market value with the resulting unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity until realized. Gains or losses on these securities are computed based on the amortized cost of the specific securities when sold.

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**NOTE 2 •** *continued*

All securities with unrealized losses are subjected to the Company's process for identifying other-than-temporary impairments. The Company writes down to fair value securities that it deems to be other-than-temporarily impaired in the period the securities are deemed to be other-than-temporarily impaired. The assessment of whether such impairment has occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors in making this assessment. Those factors include, but are not limited to, the length and severity of the decline in value and changes in the credit quality of the issuer or underlying assets. The Company does not engage in trading activities.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Management evaluates the appropriate amount of the allowance for doubtful accounts by assessing the recoverability of individual real estate mortgage loans and rent receivables, through a comparison of their carrying amount with their estimated realizable value. Management considers tenant financial condition, credit history and current economic conditions in establishing these allowances. Receivable balances are written off when deemed uncollectible. Recoveries of receivables previously written off, if any, are recorded when received. A summary of the changes in the allowance for doubtful accounts for fiscal years ended April 30, 2006, 2005 and 2004 is as follows:

| | *(in thousands)* | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| Balance at beginning of year | $ 725 | $ 475 | $ 115 |
| Provision | 230 | 438 | 360 |
| Write-off | (230) | (188) | 0 |
| Balance at close of year | $ 725 | $ 725 | $ 475 |

**TAX, INSURANCE, AND OTHER ESCROW**

Tax, insurance, and other escrow includes funds deposited with a lender for payment of real estate tax and insurance, and reserves for funds to be used for replacement of structural elements and mechanical equipment of certain projects. The funds are under the control of the lender. Disbursements are made after supplying written documentation to the lender.

**REAL ESTATE DEPOSITS**

Real estate deposits include funds held by escrow agents to be applied toward the purchase of real estate or the payment of loan costs associated with loan placement or refinancing.

**DEFERRED LEASING AND LOAN ACQUISITION COSTS**

Costs and commissions incurred in obtaining tenant leases are amortized on the straight-line method over the terms of the related leases. Costs incurred in obtaining long-term financing are amortized over the life of the loan and charged to interest expense over the terms of the related debt agreements.

**MINORITY INTERESTS**

Interests in the Operating Partnership held by limited partners are represented by Units. The Operating Partnership's income is allocated to holders of Units based upon the ratio of their holdings to the total Units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to minority interests in accordance with the terms of the Operating Partnership agreement.

IRET reflects minority interests in Minnesota Medical Investors LLC, Mendota Properties LLC, IRET BD LLC, IRET-Candlelight LLC, IRET-Golden Jack LLC, and IRET-1715 YDR LLC on the balance sheet for the portion of properties consolidated by IRET that are not wholly owned by IRET. The earnings or losses from these properties attributable to the minority interests are reflected as minority interest portion of other partnerships' income in the consolidated statements of operations.



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**NOTE 2 •** *continued*

**INCOME TAXES**

IRET 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 dividend 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 shareholders. The Company intends to distribute all of its taxable income and realized capital gains from property dispositions within the prescribed time limits and, accordingly, there is no provision or liability for income taxes shown on the accompanying consolidated financial statements.

IRET conducts its business activity as an Umbrella Partnership Real Estate Investment Trust ("UPREIT") through its Operating Partnership. UPREIT status allows IRET to accept the contribution of real estate in exchange for Units. Generally, such a contribution to a limited partnership allows for the deferral of gain by an owner of appreciated real estate.

**REVENUE RECOGNITION**

Residential rental properties are leased under operating leases with terms generally of one year or less. Commercial properties are leased under operating leases to tenants for various terms exceeding one year. Lease terms often include renewal options. Rental revenue is recognized on the straight-line basis, which averages minimum required rents over the terms of the leases. Rents recognized in advance of collection are reflected as receivable arising from straight-lining of rents, net of allowance for doubtful accounts. Rent concessions, including free rent, are amortized on a straight-line basis over the terms of the related leases.

Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. IRET receives payments for these reimbursements from substantially all of its multi-tenant commercial tenants throughout the year.

A number of the commercial leases provide for a base rent plus a percentage rent based on gross sales in excess of a stipulated amount. These percentage rents are recorded once the required sales level is achieved and are included in rental income at that time.

Interest on mortgage loans receivable is recognized in income as it accrues during the period the loan is outstanding. In the case of non-performing loans, income is recognized as discussed in above in the Mortgage Loans Receivable section of this Note 2.

**NET INCOME PER SHARE**

Basic net income per share is computed as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period. The potential exchange of Units for common shares will have no effect on diluted net income per share as Unitholders and common shareholders effectively share equally in the net income of the Operating Partnership.

**RECLASSIFICATIONS**

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. The Company reports, in discontinued operations, the results of operations of a property that has either been disposed of or is classified as held for sale and the related gains or losses, and as a result of discontinued operations, retroactive reclassifications that change prior year numbers have been made.

**NOTE 3 • CREDIT RISK**

The Company is potentially exposed to credit risk in respect of cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.



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**NOTE 3 •** *continued*

IRET has entered into a cash management arrangement with First Western Bank with respect to deposit accounts that exceed FDIC Insurance coverage. On a daily basis, account balances are invested in United States government securities sold to IRET by First Western Bank. IRET can require First Western Bank to repurchase such securities at any time, at a purchase price equal to what IRET paid for the securities plus interest. First Western Bank automatically repurchases securities when collected amounts on deposit in IRET's deposit accounts fall below the maximum insurance amount, with the proceeds of such repurchases being transferred to IRET's deposit accounts to bring the amount on deposit back up to the threshold amount. The amounts invested by IRET pursuant to the repurchase agreement are not insured by FDIC.

**NOTE 4 • PROPERTY OWNED**

Property, consisting principally of real estate, is stated at cost less accumulated depreciation of $1,120.8 million and $1,061.3 million as of April 30, 2006, and April 30, 2005, respectively.

Construction period interest of $21,058, $137,591, and $148,922, has been capitalized for the years ended April 30, 2006, 2005, and 2004, respectively.

The future minimum lease proceeds to be received under leases for commercial properties as of April 30, 2006, assuming that no options to renew or buy out the lease are exercised, are as follows:

| **Year Ended April 30,** | ***(in thousands)*** |
|---|---|
| 2007 | $ 67,325 |
| 2008 | 60,714 |
| 2009 | 52,840 |
| 2010 | 46,354 |
| 2011 | 36,095 |

| | | |
|---|---|---|
| Thereafter | | 179,057 |
| | $ | 442,385 |

During fiscal 2006, the Company incurred a loss of $409,000 due to impairment of two properties. For the year ended April 30, 2005, the Company incurred a loss of $570,000 due to impairment on one property. For the year ended April 20, 2004, the Company incurred a loss of $62,000 due to impairment on one property. The 2005 and 2004 impairment losses were related to properties held for sale; accordingly such losses are included in discontinued operations (Note 13).

**NOTE 5 • MORTGAGE LOAN RECEIVABLE - NET**

The mortgage loan receivable consists of one loan that is collateralized by real estate. The interest rate on this loan is 6.0% and this mortgage loan receivable matures in 2010. Future principal payments due under this mortgage loan as of April 30, 2006, are as follows:

| **Year Ended April 30,** | ***(in thousands)*** | |
|---|---|---|
| 2007 | $ | 23 |
| 2008 | | 24 |
| 2009 | | 25 |
| 2010 | | 362 |
| | | |
| Less allowance for doubtful accounts | | (25) |
| | $ | 409 |

There were no non-performing mortgage loan receivables as of April 30, 2006, and 2005.





**NOTE 6 • MARKETABLE SECURITIES**

The amortized cost and fair value (estimated market values) of marketable securities available-for-sale at April 30, 2006 and 2005 are as follows. These marketable securities are securities of various issuers, primarily U.S. government, U.S. agency and corporate bonds, held in IRET Properties' security deposit account with Merrill Lynch:

| | | | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Amortized Cost** | | **Gross Unrealized Gains** | | **Gross Unrealized Losses** | | **Fair Value** |
| 2006 | | | | | | | | |
| US Government & Agency Debt Securities | $ | 196 | $ | 0 | $ | 6 | $ | 190 |
| Agency MBS | | 779 | | 0 | | 30 | | 749 |
| Corporate Bonds | | 553 | | 0 | | 12 | | 541 |
| Bank Certificates of Deposit | | 875 | | 0 | | 0 | | 875 |
| Other | | 47 | | 0 | | 0 | | 47 |
| | $ | 2,450 | $ | 0 | $ | 48 | $ | 2,402 |

| | (in thousands) | | | |
|---|---|---|---|---|
| | **Amortized Cost** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| 2005 | | | | |
| US Government & Agency Debt Securities | $ 159 | $ 0 | $ 4 | $ 155 |
| Agency MBS | 777 | 0 | 13 | 764 |
| Corporate Bonds | 570 | 0 | 5 | 565 |
| Bank Certificates of Deposit | 869 | 0 | 0 | 869 |
| Other | 106 | 0 | 0 | 106 |
| | $ 2,481 | $ 0 | $ 22 | $ 2,459 |

As of April 30, 2006, the investment in Marketable Securities, at cost, will mature as follows:

| | (in thousands) | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less Than 1 Year** | **1-3 Years** | **3-5 Years** | **More than 5 Years** |
| US Government & Agency Debt Securities | $ 196 | $ 0 | $ 77 | $ 80 | $ 39 |
| Agency MBS | 779 | 0 | 126 | 75 | 578 |
| Corporate Bonds | 553 | 51 | 414 | 88 | 0 |
| Bank Certificates of Deposit | 875 | 875 | 0 | 0 | 0 |
| Other | 47 | 0 | 0 | 0 | 0 |
| Total | $ 2,450 | $ 973 | $ 617 | $ 243 | $ 617 |

There were no realized gains or losses on sales of securities available-for-sale for the fiscal years ended April 30, 2006, 2005 and 2004. None of the securities with an unrealized loss at April 30, 2006 are considered to be other-than-temporarily impaired.



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**NOTE 7 • NOTES PAYABLE AND OTHER DEBT**

IRET has lines of credit with three financial institutions as of April 30, 2006. Interest payments on outstanding borrowings are due monthly. These credit facilities are summarized in the following table:

| | | (in thousands) | | | | |
|---|---|---|---|---|---|---|
| **Financial Institution** | **Amount Available** | **Amount Outstanding as of April 30, 2006** | **Amount Outstanding as of April 30, 2005** | **Applicable Interest Rate as of April 30, 2006** | **Maturity Date** | **Weighted Average Int. Rate on Borrowings during fiscal year 2006** |
| Lines of Credit | | | | | | |
| First Western Bank & Trust | $ 10,000 | $ 3,500 | $ 0 | 7.75% | 10/15/06 | 5.29% |

| | | | | | | |
|---|---|---|---|---|---|---|
| First Int'l Bank & Trust | 10,000 | 0 | 0 | 7.75% | 12/13/06 | 5.75% |
| Bremer Bank | 10,000 | 0 | 0 | 7.75% | 9/14/06 | 5.67% |
| | | | | | | |
| Total | $ 30,000 | $ 3,500 | $ 0 | | | |

The three lines of credit bear interest at a variable interest rate tied to the prime lending rate as published in the Wall Street Journal (in the case of the First Western Bank & Trust and First International Bank & Trust credit facilities) and the New York Prime as published in the Wall Street Journal, or Libor plus 2.5% for periods of 90 days or more (in respect of the Bremer Bank credit facility).

**NOTE 8 • MORTGAGES PAYABLE**

The Company's mortgages payable are collateralized by substantially all of its properties owned. Interest rates on mortgages payable range from 4.46% to 8.25%, and the mortgages have varying maturity dates from January 1, 2007, through August 1, 2036.

Of the mortgages payable, the balances of fixed rate mortgages totaled $741.6 million and $681.5 million, and the balances of variable rate mortgages totaled $24.3 million and $27.0 million as of April 30, 2006, and 2005, respectively. Most of the fixed rate mortgages have substantial pre-payment penalties. As of April 30, 2006, the weighted average rate of interest on the Company's mortgage debt was 6.03%, compared to 6.08% on April 30, 2005. The aggregate amount of required future principal payments on mortgages payable as of April 30, 2006, is as follows:

| **Year Ended April 30,** | ***(in thousands)*** |
|---|---|
| 2007 | $ 24,168 |
| 2008 | 41,796 |
| 2009 | 45,823 |
| 2010 | 108,288 |
| 2011 | 100,472 |
| Later Years | 445,343 |
| Total payments | $ 765,890 |

**NOTE 9 • INVESTMENT CERTIFICATES ISSUED**

IRET has sold unsecured investment certificates to the public. The fixed interest rates vary from 6.5% to 9.0% per annum, depending on the term of the security. Interest is paid annually, semiannually, or quarterly on the anniversary date of issuance. IRET has discontinued the sale of investment certificates and the outstanding certificates will be redeemed at maturity as follows:

| **Year Ended April 30,** | ***(in thousands)*** | |
|---|---|---|
| 2007 | $ | 2,440 |
| 2008 | | 0 |
| 2009 | | 11 |
| | $ | 2,451 |



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**NOTE 10 • TRANSACTIONS WITH RELATED PARTIES**

**PROPERTY MANAGEMENT SERVICES**

In fiscal 2006 and 2005, the Company paid management fees to Hoyt Properties in the amount of $641,046 and $682,286, respectively, a portion of which was reimbursed by tenants. Additionally, during those same periods, the Company paid leasing commissions to Hoyt Properties in the amount of $172,875 and $49,309, respectively. Hoyt Properties is owned by Steven B. Hoyt, a former member of the Company's Board of Trustees. Mr. Hoyt resigned from the Company's Board of Trustees on September 21, 2004 at the expiration of his term of office.

**PROPERTY ACQUISITIONS**

During fiscal year 2005, the Company acquired four office/warehouse buildings from a limited liability company in which Steven Hoyt was a member. The Company closed on its purchase of these buildings, the Plymouth I, II and III office buildings in Plymouth, Minnesota, and the Northgate I office building in Maple Grove, Minnesota, on June 30, 2004. At the time of the transaction, Mr. Hoyt was a trustee of the Company. The buildings together contain approximately 157,935 square feet. The Company paid approximately $14,000,000 for these properties, excluding closing costs. Of the $14,000,000 purchase price, $13,900,000 was paid in cash, and the remainder was paid through the issuance to the sellers of 10,000 Units valued at $10 per Unit. Independent appraisals were obtained by the Company for this property acquisition, and the purchase price was based on the results of these appraisals.

**SECURITY SALE SERVICES**

D.A. Davidson & Co. is an investment banking firm that has participated in offerings of the Company's shares of beneficial interest, and may in the future continue to participate in sales of the Company's shares and provide investment banking services to the Company. John F. Decker, formerly a member of the Company's Board of Trustees, is an employee of D.A. Davidson. Mr. Decker resigned from the Company's Board of Trustees on September 21, 2004, at the expiration of his term of office.

The Company paid no fees to Mr. Decker or to D.A. Davidson during fiscal years 2006 and 2005.

In the first of the Company's two offerings of common shares of beneficial interest during fiscal year 2004, conducted in September 2003, D.A. Davidson participated, on a best-efforts basis, as a member of the selling syndicate, and sold 250,000 shares. In connection with this offering, the Company authorized and paid D.A. Davidson commissions in the amount of $150,000. D.A. Davidson did not participate in the Company's second offering of common shares of beneficial interest in April 2004.

D.A. Davidson served as book-running manager and representative of the underwriters for the Company's April 2004 offering of Series A cumulative redeemable preferred shares of beneficial interest. In connection with this offering, the Company paid D.A. Davidson a fee of $1,078,125 and reimbursed D.A. Davidson for legal and other expenses in the amount of $100,000.

In October 2003 and April 2004, the Company paid D.A. Davidson fees of $19,500 and $77,849, respectively, for the services of Mr. Decker's son as a broker-dealer in representing certain clients who contributed real property in exchange for Units.

**PURCHASE OPTION**

On February 1, 2003, the Company entered into a merger agreement with the T. F. James Company. As part of the merger agreement, two affiliated entities of the T. F. James Company were granted the right to purchase certain real property acquired by the Company as a result of the merger. Charles Wm. James, a former executive officer of the Company and a former member of the Company's Board of Trustees, has an ownership interest in these entities. Under the terms of the agreement, one of the entities had the option, but not the obligation, to purchase a commercial strip mall located in Excelsior, Minnesota, for the price the Company paid to acquire the property, plus an annual Consumer Price Index increase. This option was exercised during the fourth quarter of fiscal year 2006, and Mr. James resigned from the Company's Board of Trustees.



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**NOTE 10 •** *continued*

**VEHICLE PURCHASES**

During fiscal year 2005, the Company purchased four vehicles from Fisher Motors, Inc., an automobile dealership wholly-owned by John D. Stewart, a member of the Company's Board of Trustees. The Company paid approximately $100,000 for these four vehicles, which were purchased for the use of Company employees, including the Company's Chief Operating Officer. The Company purchased no vehicles from Fisher Motors during fiscal years 2006 and 2004.

**BANKING SERVICES**

The Company maintains an unsecured line of credit with First International Bank and Trust, Watford City, N.D. In December 2005, the amount available to be borrowed under this line of credit was increased to $10 million from $5 million. During fiscal year 2006, IRET's interest charges were $14,167 for borrowings under the First International line of credit. In addition, IRET maintains a number of checking accounts with First International. During fiscal year 2006, IRET paid less than $500 in total in various wire transfer and other fees charged on these checking accounts. Interest and fees paid on the First International line of credit and checking accounts totaled $543 in fiscal year 2005, and $48,793 in fiscal year 2004. Steven L. Stenehjem, a member of the Company's Board of Trustees and the Chairman of the Company's Audit Committee, is the President and Chief Executive Officer of First International, and the bank is owned by Mr. Stenehjem and members of his family.

**NOTE 11 • ACQUISITIONS AND DISPOSITIONS IN FISCAL YEARS 2006 AND 2005**

**PROPERTY ACQUISITIONS**

IRET Properties paid approximately $93.4 million for real estate properties added to its portfolio during fiscal 2006, compared to $146.4 million paid in fiscal 2005. The fiscal 2006 and 2005 additions are detailed below.

**Fiscal 2006** *(May 1, 2005 to April 30, 2006)*

| **Fiscal 2006 Acquisitions** | ***(in thousands)*** **Purchase Price** |
|---|---|
| *Multi-Family Residential* | |
| 36-unit Legacy 7 - Grand Forks, ND | $ 2,445 |
| | 2,445 |
| *Commercial Property Office* | |
| 15,594 sq. ft. Spring Valley IV Office Building - Omaha, NE | 1,250 |
| 23,913 sq. ft. Spring Valley V Office Building - Omaha, NE | 1,375 |
| 24,000 sq. ft. Spring Valley X Office Building - Omaha, NE | 1,275 |
| 24,000 sq. ft. Spring Valley XI Office Building - Omaha, NE | 1,250 |
| 30,000 sq. ft. Brook Valley I Office Building - La Vista, NE | 2,100 |
| 146,087 sq. ft. Northpark Corporate Center - Arden Hills, MN | 18,597 |

| | | |
|---|---|---|
| | | 25,847 |
| *Commercial Property Medical (including assisted living)* | | |
| 74,112 sq. ft. Edgewood Vista - Bismarck, ND | | 10,750 |
| 60,161 sq. ft. Edgewood Vista - Spearfish, SD | | 6,687 |
| 82,535 sq. ft. Edgewood Vista - Brainerd, MN | | 10,625 |
| 160,485 sq. ft. Edgewood Vista - Hermantown, MN | | 12,315 |
| 50,409 sq. ft. Ritchie Medical Plaza - St. Paul, MN | | 10,750 |
| 54,971 sq. ft. 2800 Medical Building - Minneapolis, MN | | 9,000 |
| 47,950 sq. ft. Stevens Point - Stevens Point, WI | | 4,215 |
| | | 64,342 |
| *Undeveloped Property* | | |
| Stevens Point Undeveloped - Stevens Point, WI | | 310 |
| Eagan Vacant Land - Eagan, MN | | 423 |
| | | 733 |
| Total Fiscal 2006 Property Acquisitions | $ | 93,367 |



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**NOTE 11** • *continued*

**Fiscal 2005** *(May 1, 2004 to April 30, 2005)*

| **Fiscal 2005 Acquisitions** | | ***(in thousands)*** **Purchase Price** |
|---|---|---|
| *Multi-Family Residential* | | |
| 54-unit Southbrook Court and Mariposa Lane Townhomes - Topeka, KS | $ | 5,500 |
| 36-unit Legacy 5 - Grand Forks, ND | | 2,738 |
| 36-unit Legacy 6 - Grand Forks, ND | | 2,607 |
| 140-unit Olympik Village - Rochester, MN | | 7,100 |
| | | 17,945 |
| *Commercial Property Office* | | |
| 26,186 sq. ft. Plymouth I Office Building - Plymouth, MN | | 1,864 |
| 26,186 sq. ft. Plymouth II Office Building - Plymouth, MN | | 1,748 |
| 26,186 sq. ft. Plymouth III Office Building - Plymouth, MN | | 2,214 |
| 79,377 sq. ft. Northgate I Office Building - Maple Grove, MN | | 8,175 |
| 185,000 sq. ft. Crosstown Circle Office Building - Eden Prairie, MN | | 22,000 |
| 81,173 sq. ft. Highlands Ranch II Office Building - Highlands Ranch, CO | | 12,800 |
| 86,428 sq. ft. Wells Fargo Center - Bloomington, MN | | 9,201 |
| 153,947 sq. ft. US Bank - Bloomington, MN | | 20,300 |
| | | 78,302 |
| *Commercial Property Medical* | | |
| 52,300 sq. ft. Nebraska Orthopaedic Hospital Expansion Project - Omaha, NE | | 20,597 |
| 45,081 sq. ft. Pavilion I Clinic - Duluth, MN | | 10,900 |
| 60,294 sq. ft. High Pointe Health Campus Phase I (East Metro Medical Building) - Lake Elmo, MN | | 13,050 |
| | | 44,547 |
| *Commercial Property Retail* | | |
| 46,720 sq. ft. Sleep Inn Hotel - Brooklyn Park, MN | | 2,750 |

| | | |
|---|---|---|
| 4,000 sq. ft. single tenant retail building (former Payless building) - Fargo, ND | | 375 |
| | | 3,125 |
| *Undeveloped Property* | | |
| * Legacy VII - Grand Forks, ND | | 2,443 |
| | | 2,443 |
| Total Fiscal 2005 Property Acquisitions | $ | 146,362 |

* = Property not placed in service at April 30, 2005. Additional costs were still to be incurred.

**PROPERTY DISPOSITIONS**

During fiscal year 2006, IRET Properties disposed of 17 properties and two undeveloped properties for an aggregate sale price of $14.2 million, compared to 17 properties and one parcel of undeveloped land sold for $48.9 million in total during fiscal year 2005. Real estate assets sold by IRET during fiscal 2006 were as follows:

| | | ***(in thousands)*** | |
|---|---|---|---|
| **Fiscal 2006 Dispositions** | **Sales Price** | **Book Value and Sales Cost** | **Gain** |
| *Commercial - Office* | | | |
| 1,600 sq. ft. Greenwood Chiropractic - Greenwood, MN | $ 490 | $ 345 | $ 145 |
| | | | |
| *Commercial Retail* | | | |
| 3,000 sq. ft. Centerville Convenience Store - Centerville, MN | 340 | 324 | 16 |
| 4,800 sq. ft. East Bethel C-Store - East Bethel, MN | 660 | 498 | 162 |
| 6,325 sq. ft. Lino Lake Strip Center - Lino Lakes, MN | 650 | 462 | 188 |
| 8,400 sq. ft. IGH Strip Center - Inver Grove Heights, MN | 1,280 | 940 | 340 |
| 46,720 sq. ft. Sleep Inn - Brooklyn Park, MN | 3,350 | 2,990 | 360 |
| 7,993 sq. ft. Excelsior Strip Center - Excelsior, MN | 965 | 891 | 74 |
| 3,000 sq. ft. Andover C-Store Andover, MN | 383 | 308 | 75 |
| 6,266 sq. ft. Oakdale Strip Center - Oakdale, MN | 1,050 | 745 | 305 |



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| | | | |
|---|---|---|---|
| *Commercial Retail - continued* | | | |
| 6,225 sq. ft. Rochester Auto - Rochester, MN | 465 | 431 | 34 |
| 3,650 sq. ft. Lakeland C-Store - Lakeland, MN | 610 | 436 | 174 |
| 4,000 sq. ft. Lindstrom C-Store - Lindstrom, MN | 450 | 345 | 105 |
| 3,571 sq. ft. Mora C-Store - Mora, MN | 380 | 296 | 84 |
| 3,000 sq. ft. Shoreview C-Store - Shoreview, MN | 400 | 326 | 74 |
| 8,750 sq. ft. Blaine Strip Center - - Blaine, MN | 990 | 599 | 391 |
| 3,444 sq. ft. St. Louis Park Retail - St. Louis Park, MN | 845 | 365 | 480 |
| 3,864 sq. ft. Mound Strip Center - Mound, MN | 550 | 358 | 192 |
| | | | |
| *Undeveloped Property* | | | |
| 40,000 sq. ft. Centerville Undeveloped Land - Centerville, MN | 110 | 105 | 5 |
| Andover Vacant Land - Andover, MN | 230 | 164 | 66 |
| Total Fiscal 2006 Property Dispositions | $ 14,198 | $ 10,928 | $ 3,270 |

Properties sold by IRET during fiscal 2005 were as follows:

| | | *(in thousands)* | |
|---|---|---|---|
| **2005 Dispositions** | **Sales Price** | **Book Value and Sales Cost** | **Gain** |
| *Multi-Family Residential* | | | |
| 204-unit Ivy Club Apartments - Vancouver, WA | $ 12,250 | $ 12,070 | $ 180 |
| 26-unit Beulah Condominiums - Beulah, ND | 96 | 96 | 0 |
| 36-unit Parkway Apartments - Beulah, ND | 159 | 159 | 0 |
| 18-unit Dakota Arms Apartments - Minot, ND | 825 | 566 | 259 |
| 100-unit Van Mall Woods Apartments - Vancouver, WA | 6,900 | 5,625 | 1,275 |
| 192-unit Century Apartments - Williston, ND | 4,599 | 2,658 | 1,941 |
| 18-unit Bison Apartments - Carrington, ND | 215 | 161 | 54 |
| 17-unit Bison Apartments - Cooperstown, ND | 185 | 135 | 50 |
| | | | |
| *Commercial Office* | | | |
| 62,585 sq. ft. Flying Cloud Building Eden Prairie, MN | 5,750 | 5,750 | 0 |
| | | | |
| *Commercial - Medical (assisted living facility)* | | | |
| 97,821 sq. ft. Edgewood Vista - Minot, ND | 7,210 | 5,676 | 1,534 |
| 5,100 sq. ft. Edgewood Vista - Belgrade, MT | 509 | 433 | 76 |
| 5,100 sq. ft. Edgewood Vista - Columbus, NE | 509 | 435 | 74 |
| 5,100 sq. ft. Edgewood Vista - Grand Island, NE | 509 | 434 | 75 |
| 16,392 sq. ft. Edgewood Vista - East Grand Forks, MN | 1,639 | 1,312 | 327 |
| | | | |
| *Commercial Retail* | | | |
| 30,000 sq. ft. Barnes & Noble Store - Fargo, ND | 4,590 | 2,916 | 1,674 |
| 18,040 sq. ft. Petco Store - Fargo, ND | 2,160 | 1,209 | 951 |
| 4,800 sq. ft. single tenant retail building (former Tom Thumb store) - Ham Lake, MN | 650 | 518 | 132 |
| | | | |
| *Undeveloped Property* | | | |
| 205,347 sq. ft. parcel of vacant land - Libby, MT | 151 | 151 | 0 |
| Total Fiscal 2005 Property Dispositions | $ 48,906 | $ 40,304 | $ 8,602 |



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**NOTE 12 • OPERATING SEGMENTS**

IRET is engaged in acquiring, owning and leasing multi-family residential and commercial real estate. Each property is considered a separate operating segment. Each segment on a stand-alone basis is less than 10% of the revenues, profit or loss, and assets of the combined reported operating segments, and meets the aggregation criteria under SFAS No. 131. IRET reports its results in five segments: multi-family residential properties, and commercial office, medical (including assisted living facilities), industrial (including miscellaneous commercial properties) and retail properties. The revenues, profit (loss) and assets for these reportable segments are summarized as follows, as of and for the fiscal years ended April 30, 2006, 2005 and 2004, along with reconciliations to the consolidated financial statements:

**Year Ended April 30, 2006**

| | | *(in thousands)* | | |
|---|---|---|---|---|
| **Commercial-Office** | **Commercial-Medical** | **Commercial-Industrial** | **Commercial-Retail** | **Total** |

| | Multi-Family Residential | | | | | |
|---|---|---|---|---|---|---|
| Real Estate Revenue | $ 63,363 | $ 57,523 | $ 32,184 | $ 6,372 | $ 13,357 | $172,799 |
| Expenses | | | | | | |
| Mortgage interest | 18,373 | 14,777 | 10,608 | 2,240 | 4,155 | 50,153 |
| Depreciation related to real estate investments | 11,614 | 14,319 | 7,065 | 1,551 | 2,634 | 37,183 |
| Utilities | 6,757 | 4,812 | 1,600 | 91 | 415 | 13,675 |
| Maintenance | 8,069 | 7,590 | 2,471 | 201 | 1,161 | 19,492 |
| Real estate taxes | 7,142 | 8,028 | 2,283 | 771 | 1,799 | 20,023 |
| Insurance | 1,432 | 707 | 298 | 81 | 189 | 2,707 |
| Property management | 7,185 | 2,489 | 1,662 | 108 | 560 | 12,004 |
| Total segment expense | 60,572 | 52,722 | 25,987 | 5,043 | 10,913 | 155,237 |
| Segment operating profit | $ 2,791 | $ 4,801 | $ 6,197 | $ 1,329 | $ 2,444 | 17,562 |
| Reconciliation to consolidated operations: | | | | | | |
| Interest discounts and fee revenue | | | | | | 1,241 |
| Amortization and other interest expense | | | | | | (1,237) |
| Depreciation furniture and fixtures | | | | | | (230) |
| Administrative, advisory and trustee fees | | | | | | (3,895) |
| Operating expenses | | | | | | (1,292) |
| Amortization related to non-real estate investments and related party costs | | | | | | (745) |
| Loss on impairment (commercial-retail segment) | | | | | | (409) |
| Income before minority interest and discontinued operations and gain on sale of other investments | | | | | | $ 10,995 |



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**NOTE 12 •** *continued*

**Year Ended April 30, 2005**

***(in thousands)***

| | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| Real Estate Revenue | $ 60,207 | $ 48,604 | $ 25,794 | $ 6,459 | $ 14,152 | $155,216 |
| Expenses | | | | | | |
| Mortgage interest | 18,247 | 12,715 | 8,923 | 2,302 | 3,917 | 46,104 |
| Depreciation related to real estate investments | 11,075 | 12,780 | 5,305 | 1,523 | 2,608 | 33,291 |
| Utilities | 5,832 | 3,386 | 1,142 | 60 | 400 | 10,820 |
| Maintenance | 6,928 | 6,312 | 1,870 | 185 | 988 | 16,283 |
| Real estate taxes | 7,057 | 7,153 | 1,616 | 797 | 1,793 | 18,416 |
| Insurance | 1,521 | 537 | 277 | 78 | 190 | 2,603 |
| Property management | 6,805 | 2,100 | 1,273 | 104 | 288 | 10,570 |
| Total segment expense | 57,465 | 44,983 | 20,406 | 5,049 | 10,184 | 138,087 |
| Segment operating profit | $ 2,742 | $ 3,621 | $ 5,388 | $ 1,410 | $ 3,968 | 17,129 |
| Reconciliation to consolidated operations: | | | | | | |
| Interest discounts and fee revenue | | | | | | 986 |

| | |
|---|---|
| Amortization and other interest expense | (1,909) |
| Depreciation furniture and fixtures | (200) |
| Administrative, advisory and trustee fees | (3,948) |
| Operating expenses | (1,430) |
| Amortization related to non-real estate investments and related party costs | (430) |
| Income before minority interest and discontinued operations and gain on sale of other investments | $ 10,198 |

**Year Ended April 30, 2004**

| | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|
| | **Multi-Family Residential** | **Commercial-Office** | **Commercial-Medical** | **Commercial-Industrial** | **Commercial-Retail** | **Total** |
| Real Estate Revenue | $ 59,294 | $ 39,874 | $ 15,876 | $ 6,634 | $ 11,152 | $132,830 |
| Expenses | | | | | | |
| Mortgage interest | 17,647 | 11,001 | 5,841 | 2,092 | 3,164 | 39,745 |
| Depreciation related to real estate investments | 10,310 | 7,129 | 2,977 | 1,253 | 1,874 | 23,543 |
| Utilities | 5,667 | 2,768 | 775 | 49 | 275 | 9,534 |
| Maintenance | 6,829 | 5,646 | 1,451 | 202 | 735 | 14,863 |
| Real estate taxes | 6,675 | 5,745 | 1,491 | 768 | 1,733 | 16,412 |
| Insurance | 2,001 | 450 | 149 | 66 | 157 | 2,823 |
| Property management | 6,225 | 1,764 | 1,156 | 98 | 118 | 9,361 |
| Total segment expense | 55,354 | 34,503 | 13,840 | 4,528 | 8,056 | 116,281 |
| Segment operating profit | $ 3,940 | $ 5,371 | $ 2,036 | $ 2,106 | $ 3,096 | 16,549 |
| Reconciliation to consolidated operations: | | | | | | |
| Interest discounts and fee revenue | | | | | | 648 |
| Amortization and other interest expense | | | | | | (2,308) |
| Depreciation furniture and fixtures | | | | | | (163) |
| Administrative, advisory and trustee fees | | | | | | (2,777) |
| Operating expenses | | | | | | (1,132) |
| Amortization related to non-real estate investments and related party costs | | | | | | (167) |
| Income before minority interest and discontinued operations and gain on sale of other investments | | | | | | $ 10,650 |



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**NOTE 12 •** *continued*

**Segment Assets and Accumulated Depreciation**

**As of April 30, 2006**

| | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|
| | **Multi-Family Residential** | **Commercial-Office** | **Commercial-Medical** | **Commercial-Industrial** | **Commercial-Retail** | **Total** |
| Segment assets | | | | | | |
| Property owned | $ 452,251 | $ 383,280 | $ 263,300 | $ 59,583 | $ 111,009 | $1,269,423 |
| | (79,150) | (32,193) | (18,954) | (6,625) | (11,685) | (148,607) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Less accumulated depreciation/amortization | | | | | | |
| Total property owned | $ 373,101 | $ 351,087 | $ 244,346 | $ 52,958 | $ 99,324 | $1,120,816 |
| Cash | | | | | | 17,485 |
| Marketable securities | | | | | | 2,402 |
| Receivables and other assets | | | | | | 61,028 |
| Undeveloped land | | | | | | 5,175 |
| Mortgage receivables | | | | | | 409 |
| Total Assets | | | | | | $1,207,315 |

**As of April 30, 2005**

| | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|
| | **Multi-Family Residential** | **Commercial-Office** | **Commercial-Medical** | **Commercial-Industrial** | **Commercial-Retail** | **Total** |
| Segment assets | | | | | | |
| Property owned | $ 442,109 | $ 353,536 | $ 205,333 | $ 58,233 | $ 120,645 | $1,179,856 |
| Less accumulated depreciation/amortization | (67,534) | (23,198) | (12,855) | (5,193) | (9,732) | (118,512) |
| Total property owned | $ 374,575 | $ 330,338 | $ 192,478 | $ 53,040 | $ 110,913 | $1,061,344 |
| Cash | | | | | | 23,538 |
| Marketable securities | | | | | | 2,459 |
| Receivables and other assets | | | | | | 57,816 |
| Undeveloped land | | | | | | 5,382 |
| Mortgage receivables | | | | | | 619 |
| Total Assets | | | | | | $1,151,158 |



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**NOTE 13 • DISCONTINUED OPERATIONS**

SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets,* requires the Company to report in discontinued operations the results of operations of a property that has either been disposed of or is classified as held for sale. It also requires that any gains or losses from the sale of a property be reported in discontinued operations. There were no properties held for sale as of April 30, 2006 or 2005. The following information shows the effect on net income, net of minority interest, and the gains or losses from the sale of properties classified as discontinued operations for the fiscal years ended April 30, 2006, 2005 and 2004.

| | *(in thousands)* | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| REVENUE | | | |
| Real Estate Rentals | $ 961 | $ 3,283 | $ 7,069 |
| Tenant Reimbursements | 226 | 574 | 508 |
| Total Revenue | 1,187 | 3,857 | 7,577 |
| OPERATING EXPENSE | | | |
| Interest | 237 | 915 | 1,924 |
| Depreciation/Amortization | 175 | 618 | 1,322 |
| Utilities | 16 | 236 | 1,102 |

| | | | |
|---|---|---|---|
| Maintenance | 77 | 310 | 80 |
| Real Estate Taxes | 179 | 408 | 709 |
| Insurance | 15 | 50 | 126 |
| Property Management Expenses | 18 | 213 | 585 |
| Operating Expense | 2 | 5 | 10 |
| Amortization of Related Party Costs | 0 | 8 | 26 |
| Loss on Impairment of Real Estate | 0 | 570 | 62 |
| Total Operating Expenses | 719 | 3,333 | 5,946 |
| Operating Income | 468 | 524 | 1,631 |
| Non-Operating Income | 0 | 1 | 6 |
| Income Before Minority Interest and Gain on Sale | 468 | 525 | 1,637 |
| Minority Interest | (842) | (2,072) | (478) |
| Gain on Sale of Discontinued Operations | 3,270 | 8,602 | 504 |
| Discontinued Operations, Net | $ 2,896 | $ 7,055 | $ 1,663 |
| Segment Data | | | |
| Multi-Family Residential | $ 0 | $ 2,997 | $ 270 |
| Commercial - Office | 120 | (397) | 58 |
| Commercial - Medical | 0 | 1,883 | 818 |
| Commercial - Industrial | 0 | 0 | (26) |
| Commercial - Retail | 2,725 | 2,572 | 546 |
| Undeveloped Land | 51 | 0 | (3) |
| Total | $ 2,896 | $ 7,055 | $ 1,663 |
| Property Sale Data | | | |
| Sales Price | $ 14,197 | $ 48,906 | $ 3,807 |
| Net Book Value and Sales Costs | 10,927 | 40,304 | 3,303 |
| Gain | $ 3,270 | $ 8,602 | $ 504 |



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**NOTE 14 • EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. The Company has no outstanding options, warrants, convertible stock or other contractual obligations requiring issuance of additional common shares that would result in a dilution of earnings. While Units can be exchanged for shares on a one-for-one basis after a minimum holding period of one year, the exchange of Units for common shares has no effect on diluted earnings per share, as Unitholders and common shareholders effectively share equally in the net income of the Operating Partnership. The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted earnings per share reported in the consolidated financial statements for the fiscal years ended April 30, 2006, 2005, and 2004:

| | For Years Ended April 30, (in thousands, except per share data) | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| NUMERATOR | | | |
| Income from continuing operations | $ 8,671 | $ 8,021 | $ 7,777 |
| Discontinued operations | 2,896 | 7,055 | 1,663 |
| Net income | 11,567 | 15,076 | 9,440 |
| Dividends to preferred shareholders | (2,372) | (2,372) | (33) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Numerator for basic earnings per share net income available to common shareholders | | 9,195 | | 12,704 | | 9,407 |
| Minority interest portion of operating partnership income | | 2,705 | | 3,873 | | 2,752 |
| Numerator for diluted earnings per share | $ | 11,900 | $ | 16,577 | $ | 12,159 |
| DENOMINATOR | | | | | | |
| Denominator for basic earnings per share weighted average shares | | 45,717 | | 43,214 | | 39,257 |
| Effect of dilutive securities convertible operating partnership units | | 13,329 | | 12,621 | | 11,176 |
| Denominator for diluted earnings per share | | 59,046 | | 55,835 | | 50,433 |
| Earnings per common share from continuing operations basic and diluted | $ | .14 | $ | .13 | $ | .20 |
| Earnings per common share from discontinued operations basic and diluted | | .06 | | .17 | | .04 |
| NET INCOME PER COMMON SHARE BASIC & DILUTED | $ | .20 | $ | .30 | $ | .24 |

**NOTE 15 • RETIREMENT PLANS**

IRET sponsors a defined contribution profit sharing retirement plan and a defined contribution 401K plan. IRET’s defined contribution profit sharing retirement plan is available to employees over the age of 21 who have completed one year of service. Contributions to the profit sharing plan are at the discretion of the Company’s management. All employees over the age of 21 are immediately eligible to participate in IRET’s defined contribution 401K plan and may contribute up to maximum levels established by the I.R.S. IRET matches up to 3% of participating employees’ wages. Plan expenses to IRET for the years ended April 30, 2006, 2005, and 2004, were $217,599, $204,141, and $133,800.

**NOTE 16 • COMMITMENTS AND CONTINGENCIES**

*Ground Leases.* As of April 30, 2005, the Company is a tenant under operating ground leases on seven of its properties. The Company pays a total of approximately $309,000 per year in rent under these ground leases, which have terms ranging from 7 to 90 years, and expiration dates ranging from July 2012 to April 2095. The Company has renewal options for three of the seven ground leases, and rights of first offer or first refusal for the remainder.

The expected timing of Ground Lease payments as of April 30, 2006 is as follows:

| **Year Ended April 30,** ***(in thousands)*** | | **Lease Payments** |
|---|---|---|
| 2007 | $ | 309 |
| 2008 | | 309 |
| 2009 | | 309 |
| 2010 | | 309 |
| 2011 | | 309 |
| Thereafter | | 17,702 |
| Total | $ | 19,247 |



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**NOTE 16 •** *continued*

*Legal Proceedings*. IRET is involved in various lawsuits arising in the normal course of business. Management believes that such matters will not have a material effect on the Company’s financial statements.

*Purchase Options*. The Company has granted options to purchase certain IRET properties to various parties. In general, the options grant the parties the right to purchase these properties at the greater of their appraised value or an annual compounded increase of 2% to 2.5% of the initial cost of the property to IRET. The property cost and gross rental revenue of these properties are as follows:

| | | ***(in thousands)*** | | |
|---|---|---|---|---|
| | | **Gross Rental Revenue** | | |
| **Property** | **Property Cost** | **2006** | **2005** | **2004** |
| East Grand Station - East Grand Forks, MN | $ 1,392 | $ 152 | $ 152 | $ 152 |
| Edgewood Vista - Bismarck, ND | 10,868 | 653 | 0 | 0 |
| Edgewood Vista - Brainerd, MN | 10,634 | 645 | 0 | 0 |
| Edgewood Vista - Duluth, MN | 11,709 | 1,472 | 1,406 | 1,278 |
| Edgewood Vista - Fremont, NE | 552 | 62 | 59 | 59 |
| Edgewood Vista - Hastings, NE | 572 | 63 | 61 | 61 |
| Edgewood Vista - Hermantown, MN | 12,325 | 749 | 0 | 0 |
| Edgewood Vista - Kalispell, MT | 588 | 62 | 62 | 62 |
| Edgewood Vista - Missoula, MT | 962 | 120 | 120 | 120 |
| Edgewood Vista - Omaha, NE | 641 | 70 | 67 | 67 |
| Edgewood Vista - Spearfish, SD | 6,757 | 406 | 0 | 0 |
| Edgewood Vista - Virginia, MN | 12,182 | 1,320 | 1,320 | 893 |
| Great Plains Software - Fargo, ND | 15,375 | 1,876 | 1,876 | 1,875 |
| Healtheast - Woodbury & Maplewood, MN | 21,601 | 2,032 | 2,032 | 1,948 |
| Stevens Point - Stevens Point, WI | 4,215 | 102 | 0 | 0 |
| Wedgewood Sweetwater - Lithia Springs, GA | 4,686 | 512 | 509 | 502 |
| Total | $ 115,059 | $ 10,296 | $ 7,664 | $ 7,017 |

*Income Guarantees.* In connection with its acquisition in April 2004 of a portfolio of properties located in and near Duluth, Minnesota, the Company received from the seller of the properties a guarantee, for five years from the closing date of the acquisition, of a specified minimum amount of annual net operating income, before debt service (principal and interest payments), from two of the properties included in the portfolio. As of April 30, 2006, the Company has recorded a receivable for payment of $340,323 under this guarantee. Separately, in connection with its acquisition of Olympik Village Apartments, a multi-family resident property in Rochester, Minnesota, the Company received from the seller of the property a guarantee of 12.5% return on IRET's equity or $150,000 per year whichever is greater, for a period of 24 months ending March 1, 2007. As of April 30, 2006, $145,000 was due under the Olympik Village income guarantee.

*Restrictions on Taxable Dispositions.* Approximately 122 of our properties, consisting of approximately 4.4 million square feet of our combined commercial segments properties and 3,957 apartment units, are subject to restrictions on taxable dispositions under agreements entered into with some of the sellers or contributors of the properties. The real estate investment amount of these properties (net of accumulated depreciation) was approximately $550 million at April 30, 2006. The restrictions on taxable dispositions are effective for varying periods. The terms of these agreements generally prevent us from selling the properties in taxable transactions. We do not believe that the agreements materially affect the conduct of our business or our decisions whether to dispose of restricted properties during the restriction period because we generally hold these and our other properties for investment purposes, rather than for sale. Historically, however, where we have deemed it to be in our shareholders' best interests to dispose of restricted properties, we have done so through transactions structured as tax-deferred transactions under Section 1031 of the Internal Revenue Code.

*Joint Venture Buy/Sell Options.* Certain of our joint venture agreements contain buy/sell options in which each party under certain circumstances has the option to acquire the interest of the other party, but do not generally require that we buy our partners' interests. We have one joint venture which allows our unaffiliated partner, at its election, to require that we buy its interest at a purchase price to be determined by an appraisal conducted in accordance with the terms of the agreement, or at a negotiated price. In accordance with Statement of Accounting Standards No. 5, Accounting for Contingencies, we have not recorded a liability or the related asset that would result



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**NOTE 16 •** *continued*

from the acquisition in connection with the above potential obligation because the probability of our unaffiliated partner requiring us to buy their interest is not currently determinable, and we are unable to estimate the amount of the payment required for that purpose.

*Development Projects.* The Company has certain funding commitments under contracts for property development and renovation projects. As of April 30, 2006, IRET's funding commitments included the following:

Walgreen Construction: The Company is obligated under a lease agreement signed during the second quarter of fiscal year 2006 to construct a new, free-standing retail store for Walgreen Co. in Weston, Wisconsin, which Walgreen will then lease from the Company. Construction of this building is substantially complete, with approximately $775,000 of the total project cost of $2,200,000 remaining to be paid.

Stevens Point Assisted Living: During fiscal year 2006 IRET purchased an existing senior housing complex and adjoining vacant parcel of land in Stevens Point, Wisconsin. IRET is committed to fund construction of an expansion to the existing facility on the adjoining parcel of land, to be leased to the tenant of the existing senior housing complex. The construction costs to be paid by IRET are capped at approximately $10.5 million. IRET expects construction on this project to begin in the first quarter of IRET's fiscal year 2007.

*Crosstown Circle Office Building, Eden Prairie, MN.* The Company's Crosstown Circle Office Building in Eden Prairie, Minnesota was acquired in October 2004 from Best Buy Company, which is leasing all but 7,500 square feet of the 185,000 square foot building under a master lease expiring September 30, 2010. Under the terms of the financing obtained by the Company for this building, the Company is obligated to fund a leasing reserve account in the event that a specified occupancy level is not met at the time the Best Buy master lease expires. The amount to be deposited in the leasing reserve account would be calculated by multiplying a specified amount per square foot by the difference between the specified occupancy level and the building's actual occupied square feet. The maximum amount the Company would be required to deposit in such leasing reserve account is $4,625,000. Funds in the leasing reserve account would be released as leases for vacant space in the building are executed.

*Pending Dispositions.* As of or subsequent to April 30, 2006, the Company signed separate agreements to sell five small retail properties and one single-tenant office building for sale prices ranging from $190,000 to $1.5 million, and totaling approximately $2.9 million. These properties are among approximately 30 small retail properties, primarily convenience store and gas station properties, that the Company identified as possible candidates for sale. The sales of 14 of these 30 properties closed during fiscal year 2006. These pending dispositions are subject to various closing conditions and contingencies, and no assurances can be given that these transactions will be consummated. The Company accordingly considers that these pending dispositions do not qualify as assets held for sale, or for classification as discontinued operations.

**NOTE 17 • FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

*Mortgage Loans Receivable.* Fair values are based on the discounted value of future cash flows expected to be received for a loan using current rates at which similar loans would be made to borrowers with similar credit risk and the same remaining maturities. Terms are short term in nature and carrying value approximates the estimated market value.

*Cash and Cash Equivalents.* The carrying amount approximates fair value because of the short maturity.

*Marketable Securities.* The fair values of these instruments are estimated based on quoted market prices for the security.

*Notes Payable.* The carrying amount approximates fair value because of the short maturity of such notes.

*Other Debt.* The fair value of other debt is estimated based on the discounted cash flows of the loan using current market rates.



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**NOTE 17 •** *continued*

*Mortgages Payable.* For variable rate loans that re-price frequently, fair values are based on carrying values. The fair value of fixed rate loans is estimated based on the discounted cash flows of the loans using current market rates.

*Investment Certificates Issued.* The fair value is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits at financial institutions with similar remaining maturities.

The estimated fair values of the Company's financial instruments as of April 30, 2006 and 2005, are as follows:

| | ***(in thousands)*** | | | |
|---|---|---|---|---|
| | **2006** | | **2005** | |
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| FINANCIAL ASSETS | | | | |
| Mortgage loans receivable | $ 409 | $ 409 | $ 619 | $ 619 |
| Cash and cash equivalents | 17,485 | 17,485 | 23,538 | 23,538 |
| Marketable securities - available-for-sale | 2,402 | 2,402 | 2,459 | 2,459 |
| FINANCIAL LIABILITIES | | | | |
| Notes payable | $ 3,500 | $ 3,500 | $ 0 | $ 0 |
| Other debt | 233 | 234 | 847 | 869 |
| Mortgages payable | 765,890 | 761,831 | 708,558 | 763,591 |
| Investment certificates issued | 2,451 | 2,444 | 4,636 | 4,609 |

**NOTE 18 • COMMON AND PREFERRED SHARES OF BENEFICIAL INTEREST AND SHAREHOLDERS' EQUITY**

*Distribution Reinvestment Plan.* During fiscal years 2006 and 2005, IRET issued 1.2 million and 1.1 million common shares, respectively, pursuant to its distribution reinvestment plan, at a total value at issuance of $11.1 million and $10.7 million, respectively. IRET's distribution reinvestment plan is available to common shareholders of IRET and all limited partners of IRET Properties. Under the distribution reinvestment plan, shareholders or limited partners may elect to have all or a portion of their distributions used to purchase additional IRET common shares.

*Conversion of Units to Common Shares.* During fiscal years 2006 and 2005, respectively, 0.5 million and 0.7 million Units were converted to common shares, with a total value of $4.0 million and $5.3 million included in shareholders' equity.

*Issuance of Common Shares.* In November 2004, the Company concluded a "best efforts" offering of up to 1.5 million common shares at $10.15 per share. In this offering, 1.4 million common shares were sold, for gross proceeds to the Company of approximately $14.3 million, before payment of commissions of six percent per share to the broker-dealers selling the shares, and before payment of other expenses of the offering. In May 2004, the Company concluded a "best efforts" offering under which approximately .2 million common shares were sold, at $10.10 per share, for gross proceeds to the Company of approximately $2.6 million, before payment of commissions of six percent per share to the broker-dealers selling the shares, and before payment of other expenses of the offering.

*Series A Cumulative Redeemable Preferred Shares of Beneficial Interest.* During fiscal year 2004, the Company issued 1,150,000 shares of 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest for total proceeds of $27.3 million, net of selling costs. Holders of the Company's Series A Cumulative Redeemable Preferred Shares of Beneficial Interest are entitled to receive dividends at an annual rate of 8.25% of the liquidation preference of $25 per share, or $2.0625 per share per annum. These dividends are cumulative and payable quarterly in arrears. The shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. However, on or after April 26, 2009 (or sooner, under limited circumstances), the Company, at its option, may redeem the shares at a redemption price of $25.00 per share, plus any accrued and unpaid distributions through the date of redemption. The shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.



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**NOTE 19 • QUARTERLY RESULTS OF CONSOLIDATED OPERATIONS** *(unaudited)*

(in thousands, except per share data)

| QUARTER ENDED | July 31, 2005 | October 31, 2005 | January 31, 2006 | April 30, 2006 |
|---|---|---|---|---|
| Revenues | $ 41,753 | $ 43,750 | $ 43,357 | $ 43,939 |
| Operating Income | $ 1,865 | $ 3,001 | $ 2,499 | $ 2,389 |
| Net Income available to common shareholders | $ 1,079 | $ 1,980 | $ 1,728 | $ 4,408 |
| Net Income per common share - basic & diluted | $ .02 | $ .04 | $ .04 | $ .10 |

| QUARTER ENDED | July 31, 2004 | October 31, 2004 | January 31, 2005 | April 30, 2005 |
|---|---|---|---|---|
| Revenues | $ 39,451 | $ 39,156 | $ 38,467 | $ 38,142 |
| Operating Income | $ 3,435 | $ 2,712 | $ 1,833 | $ 1,232 |
| Net Income available to common shareholders | $ 4,877 | $ 3,360 | $ 2,643 | $ 1,824 |
| Net Income per common share - basic & diluted | $ .12 | $ .08 | $ .06 | $ .04 |

*The above financial information is unaudited. In the opinion of management, all adjustments (which are of a normal recurring nature) have been included for a fair presentation.*

**NOTE 20 • SUBSEQUENT EVENTS**

*Common and Preferred Share Distributions.* On June 30, 2006, the Company paid a distribution of 51.56 cents per share on the Company's Series A Cumulative Redeemable Preferred Shares to preferred shareholders of record on June 15, 2006. On July 3, 2006, the Company paid a distribution of 16.45 cents per share on the Company's common shares, to common shareholders and Unitholders of record on June 16, 2006. This distribution represented an increase of .05 cents or 0.3% over the previous regular quarterly distribution of 16.40 cents per common share/unit paid April 3, 2006.

*Closed and Pending Acquisitions*. Subsequent to its April 30, 2006 fiscal year end, the Company closed on its acquisition of a small retail property in Minot, North Dakota, for a purchase price of approximately $625,000. Additionally, subsequent to its April 30, 2006 fiscal year end, the Company announced that it has signed an agreement to acquire an office portfolio comprised of nine properties, consisting of 15 buildings totaling 936,320 rentable square feet, for $140.8 million (including the assumption of existing debt on the portfolio) from subsidiaries of Omaha-based Magnum Resources, Inc., a real estate services and investment firm founded by W. David Scott. The closing of this portfolio acquisition is expected to occur on or before September 1, 2006. However, the closing of this transaction is subject to the satisfaction of certain closing conditions, and, accordingly, no assurances can be given that the acquisition will be completed.



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Trustees and Shareholders of
Investors Real Estate Trust
Minot, North Dakota

We have audited the consolidated financial statements of Investors Real Estate Trust and subsidiaries (the "Company") as of April 30, 2006 and 2005, and for each of the three fiscal years in the period ended April 30, 2006, management's assessment of the effectiveness of the Company's internal control over financial reporting as of April 30, 2006, and the effectiveness of the Company's internal control over financial reporting as of April 30, 2006, and have issued our reports thereon dated July 6, 2006; such reports are included elsewhere in the Form 10-K. Our audits also included the consolidated financial statement schedules of the Company listed in the table of contents to the consolidated financial statements. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
July 6, 2006



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
*April 30, 2006*

**Schedule III**
**REAL ESTATE AND ACCUMULATED DEPRECIATION** *(in thousands)*

| MULTI-FAMILY RESIDENTIAL | ENCUMBRANCES | INITIAL COST TO COMPANY LAND | INITIAL COST TO COMPANY BUILDINGS & IMPROVEMENTS | COST CAPITALIZATION SUBSEQUENT TO ACQUISITION IMPROVEMENTS | COST CAPITALIZATION SUBSEQUENT TO ACQUISITION CARRYING COSTS |
|---|---|---|---|---|---|
| 405 Grant Avenue (Lonetree) - Harvey, ND | $ 105 | $ 14 | $ 248 | $ 5 | $ 0 |
| 408 1st Street SE - Minot, ND | 0 | 10 | 37 | 1 | 0 |
| Applewood On The Green - Omaha, NE | 7,182 | 706 | 11,384 | 134 | 95 |
| Boulder Court - Eagan, MN | 4,599 | 1,067 | 5,677 | 214 | 0 |
| Brookfield Village Apartments - Topeka, KS | 5,119 | 509 | 7,104 | 110 | 0 |
| Candlelight Apartments - Fargo, ND | 1,491 | 80 | 1,626 | 40 | 0 |
| Canyon Lake Apartments - Rapid City, SD | 2,839 | 305 | 3,946 | 22 | 73 |
| Castle Rock - Billings, MT | 3,575 | 736 | 5,553 | 165 | 0 |
| Chateau Apartments - Minot, ND | 1,892 | 122 | 2,638 | 84 | 0 |
| Clearwater Apartments - Boise, ID | 2,392 | 585 | 3,369 | 32 | 0 |
| Colonial Villa - Burnsville, MN | 9,198 | 2,401 | 12,039 | 559 | 0 |
| Colton Heights Properties - Minot, ND | 606 | 80 | 931 | 17 | 0 |
| Cottonwood Lake I - Bismarck, ND | 2,524 | 264 | 4,303 | 28 | 38 |
| Cottonwood Lake II - Bismarck, ND | 2,643 | 264 | 4,052 | 22 | 37 |
| Cottonwood Lake III - Bismarck, ND | 2,478 | 264 | 4,493 | 19 | 40 |
| Country Meadows I - Billings, MT | 2,241 | 246 | 4,033 | 18 | 39 |
| Country Meadows II - Billings, MT | 2,225 | 246 | 4,148 | 13 | 81 |
| Crestview Apartments - Bismarck, ND | 3,361 | 235 | 5,037 | 90 | 0 |
| Crown Colony Apartments - Topeka, KS | 6,817 | 620 | 10,668 | 95 | 0 |
| Dakota Hill At Valley Ranch - Irving, TX | 23,883 | 3,650 | 34,976 | 256 | 0 |
| East Park Apartments - Sioux Falls, SD | 1,671 | 115 | 2,580 | 43 | 0 |
| Forest Park Estates - Grand Forks, ND | 6,717 | 810 | 7,499 | 375 | 0 |
| Heritage Manor - Rochester, MN | 5,034 | 403 | 7,743 | 95 | 0 |
| Jenner Properties - Grand Forks, ND | 1,731 | 201 | 1,868 | 38 | 0 |
| Kirkwood Manor - Bismarck, ND | 2,080 | 449 | 3,516 | 69 | 0 |
| Lancaster Place - St. Cloud, MN | 1,413 | 289 | 3,209 | 181 | 0 |
| Legacy Buildings I & II - Grand Forks, ND | 3,241 | 908 | 6,357 | 69 | 112 |
| | 2,182 | 454 | 3,359 | 28 | 112 |

| | | | | | |
|---|---|---|---|---|---|
| Legacy Building III - Grand Forks, ND | | | | | |
| Legacy Building IV - Grand Forks, ND | 2,568 | 252 | 6,519 | 32 | 0 |
| Legacy Building V - Grand Forks, ND | 0 | 137 | 2,634 | 56 | 0 |
| Legacy Building VI - Grand Forks, ND | 0 | 137 | 2,709 | 123 | 0 |
| Legacy Building VII - Grand Forks, ND | 0 | 137 | 2,307 | 407 | 0 |
| Magic City Apartments - Minot, ND | 2,994 | 412 | 4,629 | 182 | 0 |
| Meadows Phase I - Jamestown, ND | 940 | 57 | 1,787 | 20 | 0 |
| Meadows Phase II - Jamestown, ND | 940 | 55 | 1,876 | 11 | 0 |
| Meadows Phase III - Jamestown, ND | 1,070 | 56 | 2,147 | 6 | 0 |
| Miramont Apartments - Fort Collins , CO | 11,047 | 1,470 | 13,518 | 123 | 0 |
| Monticello Apartments - Monticello, MN | 3,304 | 490 | 3,803 | 83 | 0 |
| Neighborhood Apartments - Colorado Springs, CO | 6,227 | 1,034 | 11,383 | 292 | 0 |
| North Pointe - Bismarck, ND | 1,517 | 144 | 2,157 | 62 | 124 |
| Oakmont Apartments - Sioux Falls, SD | 3,904 | 423 | 4,889 | 11 | 27 |
| Oakwood - Sioux Falls, SD | 3,667 | 543 | 5,616 | 123 | 0 |
| Olympic Village - Billings, MT | 7,979 | 1,164 | 11,277 | 155 | 0 |
| Olympik Village Apartments - Rochester, MN | 5,240 | 1,034 | 6,126 | 136 | 0 |
| Oxbow - Sioux Falls, SD | 3,996 | 404 | 4,870 | 91 | 0 |
| Park East Apartments - Fargo, ND | 3,802 | 83 | 5,343 | 83 | 0 |
| Park Meadows I - Waite Park, MN | 2,782 | 572 | 3,819 | 126 | 0 |
| Park Meadows II & III - Waite Park, MN | 7,404 | 572 | 8,238 | 221 | 0 |
| Pebble Springs - Bismarck, ND | 389 | 7 | 794 | 10 | 0 |
| Pinecone Apartments - Fort Collins , CO | 10,255 | 905 | 13,036 | 109 | 0 |
| Pinehurst Apartments - Billings, MT | 472 | 72 | 704 | 12 | 6 |
| Pointe West - Rapid City, SD | 2,032 | 240 | 4,413 | 34 | 0 |
| Prairie Winds Apartments - Sioux Falls, SD | 1,214 | 144 | 1,986 | 60 | 0 |
| Prairiewood Meadows - Fargo, ND | 1,784 | 280 | 2,918 | 134 | 0 |
| Ridge Oaks - Sioux City, IA | 2,741 | 178 | 4,757 | 65 | 0 |
| Rimrock Apartments - Billings, MT | 2,363 | 330 | 3,714 | 42 | 0 |

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| | | INITIAL COST TO COMPANY | | COST CAPITALIZATION SUBSEQUENT TO ACQUISITION | |
|---|---|---|---|---|---|
| **MULTI-FAMILY RESIDENTIAL** - *continued* | **ENCUMBRANCES** | **LAND** | **BUILDINGS & IMPROVEMENTS** | **IMPROVEMENTS** | **CARRYING COSTS** |
| Rocky Meadows - Billings, MT | $ 3,358 | $ 656 | $ 6,113 | $ 41 | $ 103 |
| Sherwood Apartments - Topeka, KS | 10,226 | 1,150 | 15,586 | 178 | 0 |
| Southbrook & Mariposa - Topeka, KS | 3,339 | 399 | 5,149 | 47 | 0 |
| South Pointe - Minot, ND | 6,765 | 550 | 9,658 | 123 | 403 |
| Southview Apartments - Minot, ND | 802 | 185 | 619 | 18 | 0 |
| Southwind Apartments - Grand Forks, ND | 3,660 | 400 | 6,064 | 122 | 0 |
| Sunset Trail Phase I - Rochester, MN | 4,123 | 168 | 6,950 | 9 | 0 |
| Sunset Trail Phase II - Rochester, MN | 4,033 | 168 | 7,434 | 8 | 0 |
| Sweetwater Properties - Devils Lake & Grafton, ND | 810 | 90 | 1,712 | 44 | 0 |
| Sycamore Village Apartments - Sioux Falls, SD | 940 | 100 | 1,472 | 29 | 0 |
| Terrace On The Green - Moorhead, MN | 1,498 | 24 | 2,802 | 79 | 0 |
| Thomasbrook Apartments - Lincoln, NE | 5,518 | 600 | 10,053 | 282 | 0 |
| Valley Park Manor - Grand Forks, ND | 3,713 | 293 | 5,277 | 219 | 0 |
| Village Green - Rochester, MN | 1,761 | 234 | 2,236 | 99 | 0 |
| West Stonehill - Waite Park, MN | 6,700 | 938 | 12,470 | 277 | 0 |
| Westwood Park - Bismarck, ND | 1,085 | 161 | 2,346 | 84 | 0 |
| Winchester - Rochester, MN | 4,310 | 748 | 5,590 | 326 | 0 |
| Woodridge Apartments - Rochester, MN | 3,158 | 370 | 6,771 | 82 | 0 |
| **TOTAL MULTI-FAMILY RESIDENTIAL** | $ 265,669 | $ 34,599 | $ 408,664 | $ 7,698 | $ 1,290 |
| | | | | | |
| **OFFICE BUILDINGS** | | | | | |
| 1st Avenue Building - Minot , ND | $ 0 | $ 30 | $ 525 | $ 21 | $ 0 |
| 17 South Main - Minot, ND | 0 | 15 | 95 | 0 | 0 |
| 401 South Main - Minot, ND | 0 | 71 | 559 | 6 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| 2030 Cliff Road - Eagan, MN | 564 | 146 | 837 | 0 | 0 |
| 7800 W Brown Deer Road - Milwaukee, WI | 6,119 | 1,455 | 9,567 | 0 | 0 |
| American Corporate Center - Mendota Heights, MN | 10,496 | 1,331 | 16,329 | 1,423 | 0 |
| Ameritrade - Omaha, NE | 4,902 | 327 | 8,022 | 0 | 0 |
| Benton Business Park - Sauk Rapids, MN | 946 | 188 | 1,287 | 3 | 0 |
| Bloomington Business Plaza - Bloomington, MN | 4,629 | 1,300 | 6,438 | 222 | 39 |
| Brenwood - Minnetonka, MN | 8,229 | 1,762 | 12,862 | 416 | 0 |
| Brook Valley I - La Vista, NE | 1,557 | 347 | 1,671 | 26 | 0 |
| Burnsville Bluffs II - Burnsville, MN | 1,437 | 300 | 2,660 | 253 | 0 |
| Cold Spring Center - St. Cloud, MN | 4,674 | 588 | 8,022 | 25 | 0 |
| Crosstown Centre - Eden Prairie , MN | 16,068 | 2,884 | 14,811 | 165 | 0 |
| Dewey Hill Business Center - Edina, MN | 2,866 | 985 | 4,173 | 39 | 0 |
| Golden Hills Office Center - Golden Valley, MN | 15,000 | 3,018 | 19,056 | 273 | 0 |
| Great Plains - Fargo, ND | 8,025 | 126 | 15,249 | 0 | 0 |
| Greenwood Office - Greenwood, MN | 537 | 148 | 832 | 1 | 0 |
| Highlands Ranch - Highlands Ranch, CO | 9,590 | 1,437 | 9,803 | 279 | 0 |
| Interlachen Corporate Center - Edina, MN | 10,659 | 1,650 | 14,885 | 0 | 191 |
| Mendota Office Center I - Mendota Heights, MN | 4,162 | 1,570 | 5,506 | 70 | 0 |
| Mendota Office Center II - Mendota Heights, MN | 6,665 | 1,074 | 10,558 | 91 | 0 |
| Mendota Office Center III - Mendota Heights, MN | 3,807 | 1,501 | 5,247 | 27 | 0 |
| Mendota Office Center IV - Mendota Heights, MN | 4,943 | 1,385 | 7,320 | 0 | 0 |
| Metris - Duluth, MN | 1,797 | 336 | 2,203 | 0 | 0 |
| Minnesota National Bank - Duluth, MN | 1,195 | 287 | 1,456 | 2 | 0 |
| Minnetonka Office Building - Minnetonka, MN | 0 | 40 | 361 | 0 | 0 |
| Nicollett VII - Burnsville, MN | 4,401 | 429 | 6,955 | 3 | 0 |
| Northgate I - Maple Grove, MN | 6,198 | 1,063 | 6,392 | 3 | 0 |
| Northgate II - Maple Grove, MN | 1,421 | 358 | 2,014 | 53 | 0 |
| Northpark Corporate Center - Arden Hills, MN | 0 | 2,567 | 14,584 | 0 | 0 |



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| **OFFICE BUILDINGS -** *continued* | **ENCUMBRANCES** | **INITIAL COST TO COMPANY LAND** | **INITIAL COST TO COMPANY BUILDINGS & IMPROVEMENTS** | **COST CAPITALIZATION SUBSEQUENT TO ACQUISITION IMPROVEMENTS** | **COST CAPITALIZATION SUBSEQUENT TO ACQUISITION CARRYING COSTS** |
|---|---|---|---|---|---|
| Pillsbury Business Center - Bloomington, MN | $ 1,093 | $ 284 | $ 1,610 | $ 0 | $ 0 |
| Plaza VII - Boise, ID | 1,340 | 300 | 3,145 | 46 | 0 |
| Plymouth I - Plymouth, MN | 1,389 | 530 | 1,142 | 0 | 0 |
| Plymouth II - Plymouth, MN | 1,389 | 367 | 1,273 | 0 | 0 |
| Plymouth III - Plymouth, MN | 1,710 | 507 | 1,505 | 0 | 0 |
| Plymouth IV & V - Plymouth, MN | 8,555 | 641 | 14,248 | 0 | 0 |
| Prairie Oak Business Center - Eden Prairie, MN | 2,265 | 531 | 4,174 | 545 | 0 |
| Rapid City, SD - 900 Concourse Drive - Rapid City, SD | 3,613 | 285 | 6,762 | 41 | 0 |
| Southeast Tech Center - Eagan, MN | 3,844 | 560 | 5,776 | 2 | 0 |
| Spring Valley IV - Omaha, NE | 927 | 178 | 916 | 19 | 0 |
| Spring Valley V - Omaha, NE | 1,019 | 212 | 1,123 | 29 | 0 |
| Spring Valley X - Omaha, NE | 945 | 180 | 1,024 | 22 | 0 |
| Spring Valley XI - Omaha, NE | 927 | 143 | 1,094 | 22 | 0 |
| TCA Building - Eagan, MN | 9,814 | 627 | 9,258 | 18 | 0 |
| Three Paramount Plaza - Bloomington, MN | 4,594 | 1,261 | 6,647 | 136 | 0 |
| Thresher Square - Minneapolis, MN | 0 | 1,095 | 10,304 | 145 | 9 |
| UHC Office - International Falls, MN | 1,523 | 119 | 2,378 | 8 | 0 |
| US Bank Financial Center - Bloomington, MN | 15,243 | 3,117 | 13,350 | 131 | 0 |
| Viromed - Eden Prairie, MN | 2,056 | 666 | 4,197 | 1 | 0 |
| Wayroad Corporate - Minnetonka, MN | 4,165 | 530 | 4,992 | 25 | 20 |
| Wells Fargo Center - St Cloud, MN | 7,634 | 869 | 8,414 | 428 | 0 |
| West River Business Park - Waite Park, MN | 946 | 235 | 1,218 | 1 | 0 |
| Westgate - Boise, ID | 7,400 | 1,000 | 10,738 | 493 | 0 |
| Wirth Corporate Center - Golden Valley, MN | 4,873 | 970 | 7,795 | 192 | 29 |
| **TOTAL OFFICE BUILDINGS** | $ 228,151 | $ 43,925 | $ 333,362 | $ 5,705 | $ 288 |

| | | | | | |
|---|---|---|---|---|---|
| **MEDICAL** | | | | | |
| 2800 Medical Building - Minneapolis, MN | $ 6,523 | $ 930 | $ 7,135 | $ 8 | $ 0 |
| 6517 Drew Avenue South - Edina, MN | 0 | 351 | 662 | 25 | 0 |
| Abbott Northwest - Sartell, MN | 7,433 | 0 | 12,653 | 0 | 0 |
| Airport Medical - Bloomington, MN | 2,703 | 0 | 4,678 | 0 | 0 |
| Denfeld Clinic - Duluth, MN | 2,282 | 501 | 2,614 | (16) | 0 |
| Edgewood Vista - Bismarck, ND | 7,382 | 511 | 9,193 | 1 | 0 |
| Edgewood Vista - Brainerd, MN | 7,296 | 587 | 8,999 | 0 | 0 |
| Edgewood Vista - Duluth, MN | 3,537 | 390 | 11,319 | 0 | 0 |
| Edgewood Vista - Fremont, NE | 283 | 56 | 496 | 0 | 0 |
| Edgewood Vista - Hastings, NE | 292 | 14 | 558 | 0 | 0 |
| Edgewood Vista - Hermantown, MN | 8,455 | 719 | 10,517 | 0 | 0 |
| Edgewood Vista - Kalispell, MT | 298 | 70 | 518 | 0 | 0 |
| Edgewood Vista - Missoula, MT | 527 | 109 | 853 | 0 | 0 |
| Edgewood Vista - Omaha, NE | 338 | 89 | 552 | 0 | 0 |
| Edgewood Vista - Spearfish, SD | 4,596 | 315 | 5,806 | 0 | 0 |
| Edgewood Vista - Virginia, MN | 4,583 | 246 | 6,766 | 0 | 58 |
| Edgewood Vista Phase II - Virginia, MN | 3,319 | 0 | 5,111 | 0 | 0 |
| Fresenius - Duluth, MN | 1,097 | 50 | 1,522 | 0 | 0 |
| Garden View - St. Paul, MN | 4,071 | 0 | 7,588 | 0 | 0 |
| Gateway Clinic - Sandstone, MN | 1,322 | 66 | 1,699 | 0 | 0 |
| Health East St John & Woodwinds - Maplewood & Woodbury, MN | 16,894 | 3,238 | 18,363 | 0 | 0 |
| High Pointe Health Campus - Lake Elmo, MN | 5,297 | 1,305 | 10,723 | 3 | 0 |
| Mariner Clinic - Superior, WI | 2,890 | 0 | 3,820 | (32) | 0 |
| Nebraska Orthopaedic Hospital - Omaha, NE | 14,424 | 0 | 20,512 | 0 | 0 |
| Park Dental - Brooklyn Center, MN | 1,550 | 185 | 2,767 | 0 | 0 |
| Pavilion I - Duluth, MN | 7,616 | 1,245 | 8,899 | 0 | 0 |
| Pavilion II - Duluth, MN | 14,014 | 2,715 | 16,610 | 0 | 0 |
| Ritchie Medical Plaza - St Paul, MN | 7,808 | 1,615 | 7,851 | 34 | 0 |
| Southdale 6525 France - Edina, MN | 9,500 | 0 | 13,047 | 699 | 0 |
| Southdale 6545 France - Edina, MN | 22,862 | 3,500 | 30,209 | 305 | 0 |
| Stevens Point - Stevens Point, WI | 0 | 133 | 3,888 | 0 | 0 |



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| | | INITIAL COST TO COMPANY | | COST CAPITALIZATION SUBSEQUENT TO ACQUISITION | |
|---|---|---|---|---|---|
| **MEDICAL -** *continued* | **ENCUMBRANCES** | **LAND** | **BUILDINGS & IMPROVEMENTS** | **IMPROVEMENTS** | **CARRYING COSTS** |
| Wedgewood Sweetwater - Lithia Springs, GA | $ 1,153 | $ 334 | $ 4,288 | $ 64 | 0 |
| Wells Clinic - Hibbing, MN | 2,016 | 162 | 2,499 | 0 | 0 |
| **TOTAL MEDICAL** | $ 172,361 | $ 19,436 | $ 242,715 | $ 1,091 | $ 58 |
| | | | | | |
| **INDUSTRIAL** | | | | | |
| API Building - Duluth, MN | $ 1,218 | $ 115 | $ 1,608 | $ 0 | $ 0 |
| Bodycote Industrial Building - Eden Prairie, MN | 1,478 | 198 | 1,954 | 0 | 0 |
| Dixon Avenue Industrial Park - Des Moines, IA | 8,423 | 1,439 | 11,541 | 111 | 0 |
| Lexington Commerce Center - Eagan, MN | 3,092 | 453 | 5,459 | 263 | 0 |
| Lighthouse - Duluth, MN | 1,279 | 90 | 1,794 | 0 | 0 |
| Metal Improvement Company - New Brighton, MN | 1,364 | 240 | 2,205 | 1 | 4 |
| Stone Container - Fargo, ND | 4,123 | 440 | 6,612 | 0 | 89 |
| Stone Container - Roseville, MN | 4,714 | 810 | 7,275 | 0 | 165 |
| Waconia Industrial Building - Waconia, MN | 0 | 165 | 1,502 | 238 | 0 |
| Wilson's Leather - Brooklyn Park, MN | 8,222 | 1,368 | 11,700 | 737 | 0 |
| Winsted Industrial Building - Winsted, MN | 0 | 100 | 907 | 0 | 0 |
| **TOTAL INDUSTRIAL** | $ 33,913 | $ 5,418 | $ 52,557 | $ 1,350 | $ 258 |
| | | | | | |
| **RETAIL** | | | | | |
| Anoka Strip Center - Anoka, MN | $ 453 | $ 123 | 610 | $ 0 | $ 0 |
| Buffalo Strip Center - Buffalo, MN | 293 | 131 | 345 | 45 | 0 |
| Burnsville 1 Strip Center - Burnsville, MN | 615 | 208 | 788 | 1 | 0 |
| Burnsville 2 Strip Center - Burnsville, MN | 489 | 291 | 498 | 15 | 0 |
| Champlin South Pond - Champlin, MN | 2,254 | 842 | 2,705 | 24 | 0 |
| Chan West Village - Chanhassen, MN | 15,114 | 5,035 | 15,769 | 14 | 0 |
| | 3,421 | 276 | 4,708 | 0 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Duluth Denfeld Retail - Duluth, MN | | | | | |
| Duluth Tool Crib - Duluth, MN | 1,036 | 130 | 1,803 | 0 | 0 |
| Eagan 1 Retail Center - Eagan, MN | 1,635 | 196 | 319 | 0 | 0 |
| Eagan 2 Retail Center - Eagan, MN | 0 | 291 | 1,068 | 2 | 0 |
| Eagan 3 C Store - Eagan, MN | 0 | 214 | 569 | 1 | 0 |
| East Grand Station - East Grand Forks, MN | 575 | 150 | 1,242 | 0 | 0 |
| Fargo Express Center - Fargo, ND | 1,249 | 305 | 1,129 | 4 | 0 |
| Fargo Express SC Pad 1 - Fargo, ND | 0 | 69 | 299 | 0 | 0 |
| Faribault Checker Auto - Faribault, MN | 206 | 83 | 258 | 0 | 0 |
| Forest Lake Auto - Forest Lake, MN | 0 | 50 | 448 | 3 | 0 |
| Forest Lake Westlake Center - Forest Lake, MN | 5,229 | 2,397 | 5,729 | 11 | 0 |
| Glencoe C Store - Glencoe, MN | 0 | 52 | 478 | 2 | 0 |
| Grand Forks Carmike - Grand Forks, ND | 2,192 | 184 | 2,295 | 0 | 67 |
| Grand Forks Medpark Mall - Grand Forks, ND | 3,122 | 681 | 5,008 | 8 | 0 |
| Howard Lake C Store - Howard Lake, MN | 231 | 22 | 359 | 3 | 0 |
| Jamestown Buffalo Mall - Jamestown, ND | 2,297 | 566 | 3,657 | 332 | 0 |
| Jamestown Business Center - Jamestown, ND | 840 | 297 | 1,150 | 65 | 0 |
| Kalispell Retail Center - Kalispell, MT | 1,703 | 250 | 3,167 | 53 | 0 |
| Kentwood Thomasville Furniture - Kentwood, MI | 977 | 225 | 1,896 | 0 | 0 |
| Ladysmith Pamida - Ladysmith, WI | 1,176 | 89 | 1,411 | 0 | 0 |
| Lakeville Strip Center - Lakeville, MN | 1,248 | 121 | 1,908 | (136) | 0 |
| Livingston Pamida - Livingston, MT | 1,398 | 227 | 1,573 | 0 | 0 |
| Long Prairie C Store - Long Prairie, MN | 0 | 39 | 662 | (199) | 0 |
| Minot Arrowhead SC - Minot, ND | 1,112 | 100 | 3,095 | 392 | 0 |
| Minot Plaza - Minot, ND | 691 | 50 | 524 | 11 | 0 |
| Monticello C Store - Monticello, MN | 0 | 86 | 777 | 0 | 0 |
| Moundsview Bakery - Mounds View, MN | 0 | 47 | 245 | 0 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Omaha Barnes & Noble - Omaha, NE | 3,236 | 600 | 3,099 | 0 | 0 |
| Paynesville C Store - Paynesville, MN | 0 | 31 | 336 | 2 | 0 |
| Pine City C Store - Pine City, MN | 361 | 83 | 359 | 0 | 0 |
| Pine City Evergreen Square - Pine City, MN | 2,218 | 154 | 2,820 | 2 | 0 |
| Prior Lake 1 Strip Center - Prior Lake, MN | 884 | 202 | 777 | 0 | 0 |
| Prior Lake 3 Strip Center - Prior Lake, MN | 0 | 48 | 435 | 1 | 0 |



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| | | INITIAL COST TO COMPANY | | COST CAPITALIZATION SUBSEQUENT TO ACQUISITION | |
|---|---|---|---|---|---|
| **RETAIL -** *continued* | **ENCUMBRANCES** | **LAND** | **BUILDINGS & IMPROVEMENTS** | **IMPROVEMENTS** | **CARRYING COSTS** |
| Rochester Maplewood Square - Rochester, MN | $ 5,199 | $ 3,275 | $ 8,639 | $ 9 | $ 0 |
| Schofield Plaza SC - Schofield, WI | 0 | 175 | 1,601 | (78) | 0 |
| St. Cloud Westgate SC - St. Cloud, MN | 4,093 | 1,219 | 5,560 | 8 | 0 |
| Wilmar Sam Goody - Willmar, MN | 0 | 170 | 240 | 1 | 0 |
| Winsted C Store - Winsted, MN | 249 | 35 | 376 | (207) | 0 |
| **TOTAL RETAIL** | $ 65,796 | $ 19,819 | $ 90,734 | $ 389 | $ 67 |
| **SUBTOTAL** | $ 765,890 | $ 123,197 | $ 1,128,032 | $ 16,233 | $ 1,961 |
| | | | | | |
| **UNDEVELOPED LAND** | | | | | |
| 17 S Main 2nd Floor - Minot, ND | $ 0 | $ 0 | $ 12 | $ 0 | $ 0 |
| Cottonwood Lake IV - Bismarck, ND | 0 | 264 | 1 | 2 | 0 |
| Eagan Vacant Land - Eagan, MN | 0 | 423 | 0 | 0 | 0 |
| IGH Vacant Land - Inver Grove Heights, MN | 0 | 560 | 4 | 0 | 0 |
| Kalispell Vacant Land - Kalispell, MT | 0 | 1,400 | 15 | 6 | 0 |
| | 0 | 150 | 6 | 6 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Long Prairie Vacant Land - Long Prairie, MN | | | | | |
| River Falls Vacant Land - River Falls, WI | 0 | 200 | 5 | 0 | 0 |
| Schofield Plaza Undeveloped - Schofield, WI | 0 | 79 | 0 | 1,559 | 0 |
| Stevens Point Undeveloped - Stevens Point, WI | 0 | 310 | 0 | 173 | 0 |
| **TOTAL UNDEVELOPED LAND** | $ 0 | $ 3,386 | $ 43 | $ 1,746 | $ 0 |
| | | | | | |
| **TOTAL** | $ 765,890 | $ 126,583 | $ 1,128,075 | $ 17,979 | $ 1,961 |





**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

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**Schedule III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION** *(in thousands)*

| | GROSS AMOUNT CARRIED AT CLOSE OF PERIOD | | | | | |
|---|---|---|---|---|---|---|
| **MULTI-FAMILY RESIDENTIAL** | **LAND** | **BUILDING & IMPROVEMENTS** | **TOTAL** | **ACCUMULATED DEPRECIATION** | **DATE ACQUIRED** | **LIFE ON WHICH LATEST INCOME STATEMENT IS COMPUTED** |
| 405 Grant Avenue (Lonetree) - Harvey, ND | $ 14 | $ 253 | $ 267 | $ (87) | 1991 | 24-40 years |
| 408 1st Street SE - Minot, ND | 10 | 38 | 48 | (36) | 2001 | 40 years |
| Applewood On The Green - Omaha, NE | 706 | 11,613 | 12,319 | (1,385) | 2001 | 40 years |
| Boulder Court - Eagan, MN | 1,067 | 5,891 | 6,958 | (408) | 2003 | 40 years |
| Brookfield Village Apartments - Topeka, KS | 509 | 7,214 | 7,723 | (464) | 2003 | 40 years |
| Candlelight Apartments - Fargo, ND | 80 | 1,666 | 1,746 | (510) | 1993 | 24-40 years |
| Canyon Lake Apartments - Rapid City, SD | 305 | 4,041 | 4,346 | (474) | 2001 | 40 years |
| Castle Rock - Billings, MT | 736 | 5,718 | 6,454 | (1,085) | 1999 | 40 years |
| Chateau Apartments - Minot, ND | 122 | 2,722 | 2,844 | (565) | 1997 | 12-40 years |
| Clearwater Apartments - Boise, ID | 585 | 3,401 | 3,986 | (664) | 1999 | 40 years |
| Colonial Villa - Burnsville, MN | 2,401 | 12,598 | 14,999 | (868) | 2003 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Colton Heights Properties - Minot, ND | 80 | 948 | 1,028 | (553) | 1996 | 40 years |
| Cottonwood Lake I - Bismarck, ND | 264 | 4,369 | 4,633 | (898) | 1999 | 40 years |
| Cottonwood Lake II - Bismarck, ND | 264 | 4,111 | 4,375 | (867) | 1999 | 40 years |
| Cottonwood Lake III - Bismarck, ND | 264 | 4,552 | 4,816 | (663) | 1999 | 40 years |
| Country Meadows I - Billings, MT | 246 | 4,090 | 4,336 | (857) | 1984 | 33-40 years |
| Country Meadows II - Billings, MT | 246 | 4,242 | 4,488 | (667) | 1997 | 40 years |
| Crestview Apartments - Bismarck, ND | 235 | 5,127 | 5,362 | (1,558) | 1994 | 24-40 years |
| Crown Colony Apartments - Topeka, KS | 620 | 10,763 | 11,383 | (1,817) | 2000 | 40 years |
| Dakota Hill At Valley Ranch - Irving, TX | 3,650 | 35,232 | 38,882 | (5,530) | 2000 | 40 years |
| East Park Apartments - Sioux Falls, SD | 115 | 2,623 | 2,738 | (266) | 2002 | 40 years |
| Forest Park Estates - Grand Forks, ND | 810 | 7,874 | 8,684 | (2,463) | 1993 | 24-40 years |
| Heritage Manor - Rochester, MN | 403 | 7,838 | 8,241 | (1,593) | 1999 | 40 years |
| Jenner Properties - Grand Forks, ND | 201 | 1,906 | 2,107 | (433) | 1996 | 40 years |
| Kirkwood Manor - Bismarck, ND | 449 | 3,585 | 4,034 | (844) | 1997 | 12-40 years |
| Lancaster Place - St. Cloud, MN | 289 | 3,390 | 3,679 | (533) | 2000 | 40 years |
| Legacy Buildings I & II - Grand Forks, ND | 908 | 6,538 | 7,446 | (1,659) | 1996 | 24-40 years |
| Legacy Building III - Grand Forks, ND | 454 | 3,499 | 3,953 | (744) | 1996 | 24-40 years |
| Legacy Building IV - Grand Forks, ND | 252 | 6,551 | 6,803 | (1,039) | 2000 | 40 years |
| Legacy Building V - Grand Forks, ND | 137 | 2,690 | 2,827 | (107) | 2000 | 40 years |
| Legacy Building VI - Grand Forks, ND | 137 | 2,832 | 2,969 | (90) | 2000 | 40 years |
| Legacy Building VII - Grand Forks, ND | 137 | 2,714 | 2,851 | (65) | 2000 | 40 years |
| Magic City Apartments - Minot, ND | 412 | 4,811 | 5,223 | (1,079) | 1997 | 12-40 years |
| Meadows Phase I - Jamestown, ND | 57 | 1,807 | 1,864 | (301) | 2000 | 40 years |
| Meadows Phase II - Jamestown, ND | 55 | 1,887 | 1,942 | (295) | 2000 | 40 years |
| Meadows Phase III - Jamestown, ND | 56 | 2,153 | 2,209 | (217) | 2002 | 40 years |
| | 1,470 | 13,641 | 15,111 | (3,254) | 1996 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Miramont Apartments - Fort Collins , CO | | | | | | |
| Monticello Apartments - Monticello, MN | 490 | 3,886 | 4,376 | (214) | 2004 | 40 years |
| Neighborhood Apartments - Colorado Springs, CO | 1,034 | 11,675 | 12,709 | (2,794) | 1996 | 40 years |
| North Pointe - Bismarck, ND | 144 | 2,343 | 2,487 | (608) | 1995 | 24-40 years |
| Oakmont Apartments - Sioux Falls, SD | 423 | 4,927 | 5,350 | (512) | 2002 | 40 years |
| Oakwood - Sioux Falls, SD | 543 | 5,739 | 6,282 | (1,721) | 1996 | 40 years |
| Olympic Village - Billings, MT | 1,164 | 11,432 | 12,596 | (1,690) | 2001 | 40 years |
| Olympik Village Apartments - Rochester, MN | 1,034 | 6,262 | 7,296 | (181) | 2005 | 40 years |
| Oxbow - Sioux Falls, SD | 404 | 4,961 | 5,365 | (1,399) | 1994 | 24-40 years |
| Park East Apartments - Fargo, ND | 83 | 5,426 | 5,509 | (1,094) | 1997 | 12-40 years |
| Park Meadows I - Waite Park, MN | 572 | 3,945 | 4,517 | (1,440) | 1997 | 40 years |
| Park Meadows II & III - Waite Park, MN | 572 | 8,459 | 9,031 | (1,888) | 1997 | 40 years |
| Pebble Springs - Bismarck, ND | 7 | 804 | 811 | (137) | 2000 | 40 years |
| Pinecone Apartments - Fort Collins , CO | 905 | 13,145 | 14,050 | (3,568) | 1994 | 40 years |
| Pinehurst Apartments - Billings, MT | 72 | 722 | 794 | (77) | 2002 | 40 years |
| Pointe West - Rapid City, SD | 240 | 4,447 | 4,687 | (1,354) | 1994 | 24-40 years |
| Prairie Winds Apartments - Sioux Falls, SD | 144 | 2,046 | 2,190 | (669) | 1993 | 24-40 years |
| Prairiewood Meadows - Fargo, ND | 280 | 3,052 | 3,332 | (451) | 2001 | 40 years |
| Ridge Oaks - Sioux City, IA | 178 | 4,822 | 5,000 | (800) | 2001 | 40 years |



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|---|---|---|---|---|---|---|
| **MULTI-FAMILY RES. -** *continued* | **LAND** | **BUILDING & IMPROVEMENTS** | **TOTAL** | **ACCUMULATED DEPRECIATION** | **DATE ACQUIRED** | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Rimrock Apartments - Billings, MT | $ 330 | $ 3,756 | $ 4,086 | $ (651) | 2000 | 40 years |
| Rocky Meadows - Billings, MT | 656 | 6,257 | 6,913 | (1,524) | 1996 | 40 years |
| Sherwood Apartments - Topeka, KS | 1,150 | 15,764 | 16,914 | (2,655) | 2000 | 40 years |
| Southbrook & Mariposa - Topeka, KS | 399 | 5,196 | 5,595 | (179) | 2004 | 40 years |
| South Pointe - Minot, ND | 550 | 10,184 | 10,734 | (2,535) | 1995 | 24-40 years |
| Southview Apartments - Minot, ND | 185 | 637 | 822 | (186) | 1994 | 24-40 years |
| Southwind Apartments - Grand Forks, ND | 400 | 6,186 | 6,586 | (1,599) | 1996 | 24-40 years |
| Sunset Trail Phase I - Rochester, MN | 168 | 6,959 | 7,127 | (980) | 2001 | 40 years |
| Sunset Trail Phase II - Rochester, MN | 168 | 7,442 | 7,610 | (880) | 2002 | 40 years |
| Sweetwater Properties - Devils Lake & Grafton, ND | 90 | 1,756 | 1,846 | (1,184) | 1972 | 5-40 years |
| Sycamore Village Apartments - Sioux Falls, SD | 100 | 1,501 | 1,601 | (151) | 2002 | 40 years |
| Terrace On The Green - Moorhead, MN | 24 | 2,881 | 2,905 | (1,947) | 1970 | 33-40 years |
| Thomasbrook Apartments - Lincoln, NE | 600 | 10,335 | 10,935 | (1,962) | 2000 | 40 years |
| Valley Park Manor - Grand Forks, ND | 293 | 5,496 | 5,789 | (1,006) | 2000 | 40 years |
| Village Green - Rochester, MN | 234 | 2,335 | 2,569 | (164) | 2003 | 40 years |
| West Stonehill - Waite Park, MN | 938 | 12,747 | 13,685 | (3,378) | 1995 | 40 years |
| Westwood Park - Bismarck, ND | 161 | 2,430 | 2,591 | (517) | 1999 | 40 years |
| Winchester - Rochester, MN | 748 | 5,916 | 6,664 | (413) | 2003 | 40 years |
| Woodridge Apartments - Rochester, MN | 370 | 6,853 | 7,223 | (1,704) | 1996 | 40 years |
| **TOTAL MULTI-FAMILY RESIDENTIAL** | $34,599 | $ 417,652 | $452,251 | $ (79,150) | | |
| | | | | | | |
| **OFFICE BUILDINGS** | | | | | | |
| 1st Avenue Building - Minot , ND | $ 30 | $ 546 | $ 576 | $ (369) | 1981 | 33-40 years |
| 17 South Main - Minot, ND | 15 | 95 | 110 | (12) | 2001 | 40 years |
| 401 South Main - Minot, ND | 71 | 565 | 636 | (242) | 1987 | 24-40 years |
| 2030 Cliff Road - Eagan, MN | 146 | 837 | 983 | (105) | 2001 | 19-40 years |
| 7800 W Brown Deer Road - Milwaukee, WI | 1,455 | 9,567 | 11,022 | (867) | 2003 | 40 years |
| American Corporate Center - Mendota Heights, MN | 1,331 | 17,752 | 19,083 | (1,780) | 2002 | 40 years |
| Ameritrade - Omaha, NE | 327 | 8,022 | 8,349 | (1,410) | 1999 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Benton Business Park - Sauk Rapids, MN | 188 | 1,290 | 1,478 | (91) | 2003 | 40 years |
| Bloomington Business Plaza - Bloomington, MN | 1,300 | 6,699 | 7,999 | (804) | 2001 | 40 years |
| Brenwood - Minnetonka, MN | 1,762 | 13,278 | 15,040 | (1,327) | 2002 | 40 years |
| Brook Valley I - La Vista, NE | 347 | 1,697 | 2,044 | (26) | 2005 | 45 years |
| Burnsville Bluffs II - Burnsville, MN | 300 | 2,913 | 3,213 | (358) | 2001 | 40 years |
| Cold Spring Center - St. Cloud, MN | 588 | 8,047 | 8,635 | (1,070) | 2001 | 40 years |
| Crosstown Centre - Eden Prairie , MN | 2,884 | 14,976 | 17,860 | (585) | 2004 | 40 years |
| Dewey Hill Business Center - Edina, MN | 985 | 4,212 | 5,197 | (614) | 2001 | 40 years |
| Golden Hills Office Center - Golden Valley, MN | 3,018 | 19,329 | 22,347 | (1,371) | 2003 | 40 years |
| Great Plains - Fargo, ND | 126 | 15,249 | 15,375 | (2,557) | 2000 | 40 years |
| Greenwood Office - Greenwood, MN | 148 | 833 | 981 | (67) | 2005 | 40 years |
| Highlands Ranch - Highlands Ranch, CO | 1,437 | 10,082 | 11,519 | (367) | 2004 | 40 years |
| Interlachen Corporate Center - Edina, MN | 1,650 | 15,076 | 16,726 | (1,791) | 2001 | 40 years |
| Mendota Office Center I - Mendota Heights, MN | 1,570 | 5,576 | 7,146 | (684) | 2002 | 40 years |
| Mendota Office Center II - Mendota Heights, MN | 1,074 | 10,649 | 11,723 | (1,318) | 2002 | 40 years |
| Mendota Office Center III - Mendota Heights, MN | 1,501 | 5,274 | 6,775 | (606) | 2002 | 40 years |
| Mendota Office Center IV - Mendota Heights, MN | 1,385 | 7,320 | 8,705 | (783) | 2002 | 40 years |



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| | GROSS AMOUNT CARRIED AT CLOSE OF PERIOD | | | | | LIFE ON WHICH LATEST INCOME STATEMENT IS COMPUTED |
|---|---|---|---|---|---|---|
| **OFFICE BUILDINGS -** *continued* | **LAND** | **BUILDING & IMPROVEMENTS** | **TOTAL** | **ACCUMULATED DEPRECIATION** | **DATE ACQUIRED** | |
| Metris - Duluth, MN | $ 336 | $ 2,203 | $ 2,539 | $ (112) | 2004 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Minnesota National Bank - Duluth, MN | 287 | 1,458 | 1,745 | (74) | 2004 | 40 years |
| Minnetonka Office Building - Minnetonka, MN | 40 | 361 | 401 | (102) | 2001 | 40 years |
| Nicollett VII - Burnsville, MN | 429 | 6,958 | 7,387 | (881) | 2001 | 40 years |
| Northgate I - Maple Grove, MN | 1,063 | 6,395 | 7,458 | (299) | 2004 | 40 years |
| Northgate II - Maple Grove, MN | 358 | 2,067 | 2,425 | (323) | 2000 | 40 years |
| Northpark Corporate Center - Arden Hills, MN | 2,567 | 14,584 | 17,151 | (15) | 2006 | 40 years |
| Pillsbury Business Center - Bloomington, MN | 284 | 1,610 | 1,894 | (202) | 2001 | 40 years |
| Plaza VII - Boise, ID | 300 | 3,191 | 3,491 | (264) | 2003 | 40 years |
| Plymouth I - Plymouth, MN | 530 | 1,142 | 1,672 | (53) | 2004 | 40 years |
| Plymouth II - Plymouth, MN | 367 | 1,273 | 1,640 | (60) | 2004 | 40 years |
| Plymouth III - Plymouth, MN | 507 | 1,505 | 2,012 | (70) | 2004 | 40 years |
| Plymouth IV & V - Plymouth, MN | 641 | 14,248 | 14,889 | (1,815) | 2001 | 40 years |
| Prairie Oak Business Center - Eden Prairie, MN | 531 | 4,719 | 5,250 | (368) | 2003 | 40 years |
| Rapid City, SD - 900 Concourse Drive - Rapid City, SD | 285 | 6,803 | 7,088 | (980) | 2001 | 40 years |
| Southeast Tech Center - Eagan, MN | 560 | 5,778 | 6,338 | (954) | 2000 | 40 years |
| Spring Valley IV - Omaha, NE | 178 | 935 | 1,113 | (14) | 2005 | 41 years |
| Spring Valley V - Omaha, NE | 212 | 1,152 | 1,364 | (18) | 2005 | 42 years |
| Spring Valley X - Omaha, NE | 180 | 1,046 | 1,226 | (16) | 2005 | 43 years |
| Spring Valley XI - Omaha, NE | 143 | 1,116 | 1,259 | (17) | 2005 | 44 years |
| TCA Building - Eagan, MN | 627 | 9,276 | 9,903 | (641) | 2003 | 40 years |
| Three Paramount Plaza - Bloomington, MN | 1,261 | 6,783 | 8,044 | (727) | 2002 | 40 years |
| Thresher Square - Minneapolis, MN | 1,095 | 10,458 | 11,553 | (1,100) | 2002 | 40 years |
| UHC Office - International Falls, MN | 119 | 2,386 | 2,505 | (124) | 2004 | 40 years |
| US Bank Financial Center - Bloomington, MN | 3,117 | 13,481 | 16,598 | (380) | 2005 | 40 years |
| Viromed - Eden Prairie, MN | 666 | 4,198 | 4,864 | (756) | 1999 | 40 years |
| | 530 | 5,037 | 5,567 | (532) | 2002 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Wayroad Corporate - Minnetonka, MN | | | | | | |
| Wells Fargo Center - St Cloud, MN | 869 | 8,842 | 9,711 | (241) | 2005 | 40 years |
| West River Business Park - Waite Park, MN | 235 | 1,219 | 1,454 | (84) | 2003 | 40 years |
| Westgate - Boise, ID | 1,000 | 11,231 | 12,231 | (918) | 2003 | 40 years |
| Wirth Corporate Center - Golden Valley, MN | 970 | 8,016 | 8,986 | (849) | 2002 | 40 years |
| **TOTAL OFFICE BUILDINGS** | $43,925 | $ 339,355 | $383,280 | $ (32,193) | | |
| | | | | | | |
| **MEDICAL** | | | | | | |
| 2800 Medical Building - Minneapolis, MN | $ 930 | $ 7,143 | $ 8,073 | $ (156) | 2002 | 40 years |
| 6517 Drew Avenue South - Edina, MN | 351 | 687 | 1,038 | (61) | 2002 | 40 years |
| Abbott Northwest - Sartell, MN | 0 | 12,653 | 12,653 | (1,228) | 2002 | 40 years |
| Airport Medical - Bloomington, MN | 0 | 4,678 | 4,678 | (424) | 2002 | 40 years |
| Denfeld Clinic - Duluth, MN | 501 | 2,598 | 3,099 | (133) | 2004 | 40 years |
| Edgewood Vista - Bismarck, ND | 511 | 9,194 | 9,705 | (144) | 2005 | 40 years |
| Edgewood Vista - Brainerd, MN | 587 | 8,999 | 9,586 | (141) | 2005 | 40 years |
| Edgewood Vista - Duluth, MN | 390 | 11,319 | 11,709 | (1,312) | 2000 | 40 years |
| Edgewood Vista - Fremont, NE | 56 | 496 | 552 | (67) | 2001 | 40 years |
| Edgewood Vista - Hastings, NE | 14 | 558 | 572 | (71) | 2001 | 40 years |
| Edgewood Vista - Hermantown, MN | 719 | 10,517 | 11,236 | (164) | 2005 | 40 years |
| Edgewood Vista - Kalispell, MT | 70 | 518 | 588 | (67) | 2001 | 40 years |
| Edgewood Vista - Missoula, MT | 109 | 853 | 962 | (203) | 1997 | 40 years |
| Edgewood Vista - Omaha, NE | 89 | 552 | 641 | (70) | 2001 | 40 years |
| Edgewood Vista - Spearfish, SD | 315 | 5,806 | 6,121 | (91) | 2005 | 40 years |
| Edgewood Vista - Virginia, MN | 246 | 6,824 | 7,070 | (689) | 2002 | 40 years |
| Edgewood Vista Phase II - Virginia, MN | 0 | 5,111 | 5,111 | (282) | 2004 | 40 years |



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| MEDICAL *continued* | GROSS AMOUNT CARRIED AT CLOSE OF PERIOD LAND | BUILDING & IMPROVEMENTS | TOTAL | ACCUMULATED DEPRECIATION | DATE ACQUIRED | LIFE ON WHICH LATEST INCOME STATEMENT IS COMPUTED |
|---|---|---|---|---|---|---|
| Fresenius - Duluth, MN | $ 50 | $ 1,522 | $ 1,572 | $ (78) | 2004 | 40 years |
| Garden View - St. Paul, MN | 0 | 7,588 | 7,588 | (738) | 2002 | 40 years |
| Gateway Clinic - Sandstone, MN | 66 | 1,699 | 1,765 | (87) | 2004 | 40 years |
| Health East St John & Woodwinds - Maplewood & Woodbury, MN | 3,238 | 18,363 | 21,601 | (2,735) | 2001 | 40 years |
| High Pointe Health Campus - Lake Elmo, MN | 1,305 | 10,726 | 12,031 | (480) | 2004 | 40 years |
| Mariner Clinic - Superior, WI | 0 | 3,788 | 3,788 | (194) | 2004 | 40 years |
| Nebraska Orthopaedic Hospital - Omaha, NE | 0 | 20,512 | 20,512 | (1,003) | 2004 | 40 years |
| Park Dental - Brooklyn Center, MN | 185 | 2,767 | 2,952 | (251) | 2002 | 40 years |
| Pavilion I - Duluth, MN | 1,245 | 8,899 | 10,144 | (417) | 2004 | 40 years |
| Pavilion II - Duluth, MN | 2,715 | 16,610 | 19,325 | (1,069) | 2004 | 40 years |
| Ritchie Medical Plaza - St Paul, MN | 1,615 | 7,885 | 9,500 | (172) | 2005 | 40 years |
| Southdale 6525 France - Edina, MN | 0 | 13,746 | 13,746 | (1,059) | 2003 | 40 years |
| Southdale 6545 France- Edina, MN | 3,500 | 30,514 | 34,014 | (4,371) | 2001 | 40 years |
| Stevens Point - Stevens Point, WI | 133 | 3,888 | 4,021 | (20) | 2006 | 40 years |
| Wedgewood Sweetwater - Lithia Springs, GA | 334 | 4,352 | 4,686 | (849) | 1996 | 40 years |
| Wells Clinic - Hibbing, MN | 162 | 2,499 | 2,661 | (128) | 2004 | 40 years |
| **TOTAL MEDICAL** | $ 19,436 | $ 243,864 | $ 263,300 | $ (18,954) | | |
| | | | | | | |
| **INDUSTRIAL** | | | | | | |
| API Building - Duluth, MN | $ 115 | $ 1,608 | $ 1,723 | $ (82) | 2004 | 40 years |
| Bodycote Industrial Building - Eden Prairie, MN | 198 | 1,954 | 2,152 | (516) | 1992 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Dixon Avenue Industrial Park - Des Moines, IA | 1,439 | 11,652 | 13,091 | (1,067) | 2002 | 40 years |
| Lexington Commerce Center - Eagan, MN | 453 | 5,722 | 6,175 | (882) | 2000 | 40 years |
| Lighthouse - Duluth, MN | 90 | 1,794 | 1,884 | (92) | 2004 | 40 years |
| Metal Improvement Company - New Brighton, MN | 240 | 2,210 | 2,450 | (223) | 2002 | 40 years |
| Stone Container - Fargo, ND | 440 | 6,701 | 7,141 | (1,435) | 1995 | 40 years |
| Stone Container - Roseville, MN | 810 | 7,440 | 8,250 | (814) | 2001 | 40 years |
| Waconia Industrial Building - Waconia, MN | 165 | 1,740 | 1,905 | (231) | 2001 | 40 years |
| Wilson's Leather - Brooklyn Park, MN | 1,368 | 12,437 | 13,805 | (1,150) | 2002 | 40 years |
| Winsted Industrial Building - Winsted, MN | 100 | 907 | 1,007 | (133) | 2001 | 40 years |
| **TOTAL INDUSTRIAL** | $ 5,418 | $ 54,165 | $ 59,583 | $ (6,625) | | |
| | | | | | | |
| **RETAIL** | | | | | | |
| Anoka Strip Center - Anoka, MN | $ 123 | $ 610 | $ 733 | $ (49) | 2003 | 40 years |
| Buffalo Strip Center - Buffalo, MN | 131 | 390 | 521 | (28) | 2003 | 40 years |
| Burnsville 1 Strip Center - Burnsville, MN | 208 | 789 | 997 | (66) | 2003 | 40 years |
| Burnsville 2 Strip Center - Burnsville, MN | 291 | 513 | 804 | (49) | 2003 | 40 years |
| Champlin South Pond - Champlin, MN | 842 | 2,729 | 3,571 | (139) | 2004 | 40 years |
| Chan West Village - Chanhassen, MN | 5,035 | 15,783 | 20,818 | (1,273) | 2003 | 40 years |
| Duluth Denfeld Retail - Duluth, MN | 276 | 4,708 | 4,984 | (242) | 2004 | 40 years |
| Duluth Tool Crib - Duluth, MN | 130 | 1,803 | 1,933 | (92) | 2004 | 40 years |
| Eagan 1 Retail Center - Eagan, MN | 196 | 319 | 515 | (25) | 2003 | 40 years |
| Eagan 2 Retail Center - Eagan, MN | 291 | 1,070 | 1,361 | (84) | 2003 | 40 years |
| Eagan 3 C Store - Eagan, MN | 214 | 570 | 784 | (45) | 2003 | 40 years |
| East Grand Station - East Grand Forks, MN | 150 | 1,242 | 1,392 | (200) | 2000 | 40 years |
| Fargo Express Center - Fargo, ND | 305 | 1,133 | 1,438 | (90) | 2003 | 40 years |
| Fargo Express SC Pad 1 - Fargo, ND | 69 | 299 | 368 | (10) | 2005 | 40 years |
| Faribault Checker Auto - Faribault, MN | 83 | 258 | 341 | (21) | 2003 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Forest Lake Auto - Forest Lake, MN | 50 | 451 | 501 | (33) | 2003 | 40 years |
| Forest Lake Westlake Center - Forest Lake, MN | 2,397 | 5,740 | 8,137 | (454) | 2003 | 40 years |



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|---|---|---|---|---|---|---|
| **RETAIL** *continued* | **LAND** | **BUILDING & IMPROVEMENTS** | **TOTAL** | **ACCUMULATED DEPRECIATION** | **DATE ACQUIRED** | |
| Glencoe C Store - Glencoe, MN | $ 52 | $ 480 | $ 532 | $ (38) | 2003 | 40 years |
| Grand Forks Carmike - Grand Forks, ND | 184 | 2,362 | 2,546 | (679) | 1994 | 40 years |
| Grand Forks Medpark Mall - Grand Forks, ND | 681 | 5,016 | 5,697 | (794) | 2000 | 40 years |
| Howard Lake C Store - Howard Lake, MN | 22 | 362 | 384 | (29) | 2003 | 40 years |
| Jamestown Buffalo Mall - Jamestown, ND | 566 | 3,989 | 4,555 | (218) | 2003 | 40 years |
| Jamestown Business Center - Jamestown, ND | 297 | 1,215 | 1,512 | (99) | 2003 | 40 years |
| Kalispell Retail Center - Kalispell, MT | 250 | 3,220 | 3,470 | (210) | 2003 | 40 years |
| Kentwood Thomasville Furniture - Kentwood, MI | 225 | 1,896 | 2,121 | (450) | 1996 | 40 years |
| Ladysmith Pamida - Ladysmith, WI | 89 | 1,411 | 1,500 | (113) | 2003 | 40 years |
| Lakeville Strip Center - Lakeville, MN | 121 | 1,772 | 1,893 | (155) | 2003 | 40 years |
| Livingston Pamida - Livingston, MT | 227 | 1,573 | 1,800 | (126) | 2003 | 40 years |
| Long Prairie C Store - Long Prairie, MN | 39 | 463 | 502 | (50) | 2003 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Minot Arrowhead SC - Minot, ND | 100 | 3,487 | 3,587 | (2,444) | 1973 | 15 1/2-40 years |
| Minot Plaza - Minot, ND | 50 | 535 | 585 | (165) | 1993 | 40 years |
| Monticello C Store - Monticello, MN | 86 | 777 | 863 | (62) | 2003 | 40 years |
| Moundsview Bakery - Mounds View, MN | 47 | 245 | 292 | (20) | 2003 | 40 years |
| Omaha Barnes & Noble - Omaha, NE | 600 | 3,099 | 3,699 | (813) | 1995 | 40 years |
| Paynesville C Store - Paynesville, MN | 31 | 338 | 369 | (27) | 2003 | 40 years |
| Pine City C Store - Pine City, MN | 83 | 359 | 442 | (29) | 2003 | 40 years |
| Pine City Evergreen Square - Pine City, MN | 154 | 2,822 | 2,976 | (234) | 2003 | 40 years |
| Prior Lake 1 Strip Center - Prior Lake, MN | 202 | 777 | 979 | (60) | 2003 | 40 years |
| Prior Lake 3 Strip Center - Prior Lake, MN | 48 | 436 | 484 | (32) | 2003 | 40 years |
| Rochester Maplewood Square - Rochester, MN | 3,275 | 8,648 | 11,923 | (1,472) | 2000 | 40 years |
| Schofield Plaza SC - Schofield, WI | 175 | 1,523 | 1,698 | (128) | 2003 | 40 years |
| St. Cloud Westgate SC - St. Cloud, MN | 1,219 | 5,568 | 6,787 | (296) | 2004 | 40 years |
| Wilmar Sam Goody - Willmar, MN | 170 | 241 | 411 | (19) | 2003 | 40 years |
| Winsted C Store - Winsted, MN | 35 | 169 | 204 | (23) | 2003 | 40 years |
| **TOTAL RETAIL** | $ 19,819 | $ 91,190 | $ 111,009 | $ (11,685) | | |
| | | | | | | |
| **SUBTOTAL** | $123,197 | $ 1,146,226 | $1,269,423 | $ (148,607) | | |
| | | | | | | |
| **UNDEVELOPED LAND** | | | | | | |
| 17 S Main 2nd Floor - Minot, ND | $ 0 | $ 12 | $ 12 | $ 0 | 2001 | 40 years |
| Cottonwood Lake IV - Bismarck, ND | 264 | 3 | 267 | 0 | 1999 | 40 years |
| Eagan Vacant Land - Eagan, MN | 423 | 0 | 423 | 0 | 2006 | 40 years |
| IGH Vacant Land - Inver Grove Heights, MN | 560 | 4 | 564 | 0 | 2003 | 40 years |
| Kalispell Vacant Land - Kalispell, MT | 1,400 | 21 | 1,421 | 0 | 2003 | 40 years |
| Long Prairie Vacant Land - Long Prairie, MN | 150 | 12 | 162 | 0 | 2003 | 40 years |
| River Falls Vacant Land - River Falls, WI | 200 | 5 | 205 | 0 | 2003 | 40 years |
| Schofield Plaza Undeveloped - | 79 | 1,559 | 1,638 | 0 | 2005 | 40 years |

| | | | | | | |
|---|---|---|---|---|---|---|
| Schofield, WI | | | | | | |
| Stevens Point Undeveloped - Stevens Point, WI | 310 | 173 | 483 | 0 | 2006 | 40 years |
| **TOTAL UNDEVELOPED LAND** | $ 3,386 | $ 1,789 | $ 5,175 | $ 0 | | |
| | | | | | | |
| **TOTAL** | $ 126,583 | $ 1,148,015 | $ 1,274,598 | $ (148,607) | | |



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Reconciliations of total real estate carrying value for the three years ended April 30, 2006, 2005, and 2004 are as follows:

| | *(in thousands)* | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| Balance at beginning of year | $ 1,179,856 | $ 1,082,773 | $ 916,757 |
| Additions during year | | | |
| Residential Real Estate | 2,445 | 12,643 | 40,993 |
| Commercial Office Real Estate | 25,034 | 67,532 | 50,387 |
| Commercial Medical Real Estate | 58,200 | 42,245 | 35,465 |
| Commercial Industrial Real Estate | 0 | 0 | 3,596 |
| Commercial Retail Real Estate | 0 | 3,120 | 20,781 |
| Improvements and Other | 14,771 | 17,688 | 18,442 |
| | 1,280,306 | 1,226,001 | 1,086,421 |
| Deductions during year | | | |
| Cost of Real Estate Sold | (10,474) | (45,575) | (3,586) |
| Reclassification | 0 | 0 | 0 |
| Impairment charge | (409) | (570) | (62) |
| Balance at close of year(1) | $ 1,269,423 | $ 1,179,856 | $ 1,082,773 |

Reconciliations of accumulated depreciation/amortization for the three years ended April 30, 2006, 2005, and 2004, are as follows:

| | *(in thousands)* | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| Balance at beginning of year | $ 118,512 | $ 98,923 | $ 75,639 |
| Additions during year | | | |
| Provisions for depreciation | 30,585 | 27,605 | 23,758 |
| Deductions during year | | | |
| Accumulated depreciation on real estate sold | (490) | (8,016) | (474) |

| | | | |
|---|---|---|---|
| Balance at close of year | $ 148,607 | $ 118,512 | $ 98,923 |

(1) The net basis of the Company's real estate investments for Federal Income Tax purposes is approximately $879 million.



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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
*April 30, 2006*

**Schedule IV**
**INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE**

*(in thousands)*

| | | Interest Rate | Final Maturity Date | Payment Terms | Prior Liens | Face Amt. of Mortgages | Carrying Amt. of Mortgages | Prin. Amt of Loans Subject to Delinquent Prin. or Int. |
|---|---|---|---|---|---|---|---|---|
| First Mortgage | | | | | | | | |
| Martin Property | Pioneer Seed | 6.00% | 05/01/09 | Monthly/ Balloon | 0 | $ 475 | $ 434 | 0 |
| | | | | | | $ 475 | $ 434 | |
| Less: | | | | | | | | |
| Unearned Discounts | | | | | | | $ 0 | |
| Deferred Gain from Property Dispositions | | | | | | | 0 | |
| Allowance for Loan Losses | | | | | | | (25) | |
| | | | | | | | $ 409 | |

*(in thousands)*

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| MORTGAGE LOANS RECEIVABLE, BEGINNING OF YEAR | $ 619 | $ 4,893 | $ 1,183 |
| New participations in and advances on mortgage loans | | 0 | 7,100 |
| | 619 | 4,893 | 8,283 |
| Collections | (210) | (4,274) | (3,232) |
| Transferred to other assets | | 0 | (158) |
| MORTGAGE LOANS RECEIVABLE, END OF YEAR | $ 409 | $ 619 | $ 4,893 |



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