INVESTORS REAL ESTATE TRUST
Form 10-K
July 14, 2008

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended April 30, 2008

Commission File Number 000-14851

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

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

12 Main Street South
Minot, North Dakota 58701
(Address of principal executive offices)

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

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

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

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

o Yes þ No

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

o Yes þ No

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

þ Yes o No

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

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

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

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

o Yes þ No

The aggregate market value of the Registrant's outstanding common shares of beneficial interest held by non-affiliates (i.e., by persons other than officers and trustees of the Registrant as reflected in the table in Item 12 of this Form 10-K, incorporated by reference from the Registrant's definitive Proxy Statement for its 2008 Annual Meeting of Shareholders) was $592,992,811 based on the last reported sale price on the NASDAQ Global Select Market on October 31, 2007.

The number of common shares of beneficial interest outstanding as of June 30, 2008, was 57,869,815.

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

Documents Incorporated by Reference: Portions of IRET's definitive Proxy Statement for its 2008 Annual Meeting of Shareholders to be held on September 16, 2008 are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) hereof.

INVESTORS REAL ESTATE TRUST

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Special Note Regarding Forward Looking Statements

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

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

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

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

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

PART I

Item 1. Business

Overview

Investors Real Estate Trust is a self-advised equity Real Estate Investment Trust ("REIT") organized under the laws of North Dakota. Since our formation in 1970, our business has consisted of owning and operating income-producing real estate properties. We are structured as an Umbrella Partnership Real Estate Investment Trust or UPREIT and we conduct our day-to-day business operations though our operating partnership, IRET Properties, a North Dakota Limited Partnership ("IRET Properties" or the "Operating Partnership"). Our investments consist of multi-family residential properties and commercial office, medical, industrial and retail properties. These properties are located primarily in the upper Midwest states of Minnesota and North Dakota. For the twelve months ended April 30, 2008, our real estate investments in these two states accounted for 67.4% of our total gross revenue. Our principal executive offices are located in Minot, North Dakota. We also have offices in Minneapolis, Minnesota and Omaha, Nebraska, and property management offices in Kansas City, Kansas and St. Louis, Missouri.

We seek to diversify our investments among multi-family residential and office, medical, industrial and retail properties. As of April 30, 2008, our real estate portfolio consisted of:

- 72 multi-family residential properties, containing 9,500 apartment units and having a total real estate investment amount net of accumulated depreciation of $408.7 million;
- 65 office properties containing approximately 4.9 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $498.6 million;
- 48 medical properties (including senior housing) containing approximately 2.3 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $327.5 million;
- 17 industrial properties containing approximately 2.8 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $93.5 million; and
- 33 retail properties containing approximately 1.5 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $100.5 million.

Our residential leases are generally for a one-year term. Our commercial properties are typically leased to tenants under long-term lease arrangements. As of April 30, 2008, no single tenant accounted for more than 10% of our total rental revenues.

Structure

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

Since our formation, we have operated as a REIT under Sections 856-858 of the Internal Revenue Code of 1986, as amended (the "Code"), and since February 1, 1997, we have been structured as an UPREIT. Since restructuring as an UPREIT, we have conducted all of our daily business operations through IRET Properties. IRET Properties is organized under the laws of North Dakota pursuant to an Agreement of Limited Partnership dated January 31, 1997. IRET Properties is principally engaged in acquiring, owning, operating and leasing multi-family residential and commercial real estate. The sole general partner of IRET Properties is IRET, Inc., a North Dakota corporation and our wholly-owned subsidiary. All of our assets (except for qualified REIT subsidiaries) and liabilities were contributed to IRET Properties, through IRET, Inc., in exchange for the sole general partnership interest in IRET Properties. As of April 30, 2008, IRET, Inc. owned a 73.1% interest in IRET Properties. The remaining ownership of IRET Properties is held by individual limited partners.

Investment Strategy and Policies

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

We generally use available cash or short-term floating rate debt to acquire real estate. We then replace such cash or short-term floating rate debt with fixed-rate secured debt, typically in an amount equal to 65.0% to 75.0% of a property's appraised value. In appropriate circumstances, we also may acquire one or more properties in exchange for our common shares of beneficial interest ("common shares") or for limited partnership units of IRET Properties ("limited partnership units" or "UPREIT Units"), which are convertible, after the expiration of a minimum holding period of one year, into cash or, at our sole discretion, into our common shares on a one-to-one basis.

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

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

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

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

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

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

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

Investments in real estate mortgages. While not our primary business focus, from time to time we make loans to others that are secured by mortgages, liens or deeds of trust covering real estate. We have no restrictions on the type of property that may be used as collateral for a mortgage loan; provided, however, that except for loans insured or guaranteed by a government or a governmental agency, we may not invest in or make a mortgage loan unless an appraisal is obtained concerning the value of the underlying property. Unless otherwise approved by our Board of Trustees, it is our policy that we will not invest in mortgage loans on any one property if in the aggregate the total indebtedness on the property, including our mortgage, exceeds 85.0% of the property's appraised value. We can invest in junior mortgages without notice to, or the approval of, our shareholders. As of April 30, 2007 and 2008, we had no junior mortgages outstanding. We had one contract for deed outstanding as of April 30, 2007, with a balance of approximately $399,000, net of reserves, due to us. We had two contracts for deed outstanding as of April 30, 2008, with a combined balance of approximately $541,000, net of reserves, due to us.

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

Policies With Respect to Certain of Our Activities

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

Cash distributions to shareholders and holders of limited partnership units. One of the requirements of the Internal Revenue Code of 1986, as amended, for a REIT is that it distribute 90% of its net taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. We intend to continue our policy of making cash distributions to our common shareholders and the holders of limited partnership units of approximately 65.0% to 90.0% of our funds from operations and to use the remaining funds for capital improvements or the purchase of additional properties. This policy may be changed at any time by our Board of Trustees without notice to, or approval of, our shareholders. We have increased our cash distributions every year since our inception 38 years ago and every quarter since 1988.

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

Borrowing money. We rely on borrowed funds in pursuing our investment objectives and goals. It is generally our policy to seek to borrow up to 65.0% to 75.0% of the appraised value of all new real estate acquired or developed. This policy concerning borrowed funds is vested solely with our Board of Trustees and can be changed by our Board of Trustees at any time, or from time to time, without notice to, or a vote of, our shareholders. Such policy is subject, however, to the limitation in our Bylaws, which provides that unless approved by a majority of the independent members of our Board of Trustees and disclosed to our shareholders in our next quarterly report along with justification for such excess, we may not borrow in excess of 300.0% of our total Net Assets (as such term is used in our Bylaws, which usage is not in accordance with GAAP, "Net Assets" means our total assets at cost before deducting depreciation or other non-cash reserves, less total liabilities). Our Bylaws do not impose any limitation on the amount that we may borrow against any one particular property. As of April 30, 2008, our ratio of total real estate mortgages to total real estate assets was 73.1% while our ratio of total indebtedness as compared to our Net Assets (computed in accordance with our Bylaws) was 143.8%.

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

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

	(in thousands)		
	2008	2007	2006
Limited partnership units issued	2,309	6,705	1,072
Value at issuance	$ 22,931	$ 62,427	$ 10,964

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

During fiscal year 2008, we did not repurchase any of our outstanding common shares, preferred shares or limited partnership units, except for the redemption of a nominal amount of fractional common shares held by shareholders, upon request.

To make loans to other persons. Our organizational structure allows us to make loans to other persons, subject to certain conditions and subject to our election to be taxed as a REIT. All loans must be secured by real property or limited partnership units of IRET Properties. Our mortgage loans receivables (including contracts for deed), net of reserves, totaled approximately $541,000 as of April 30, 2008, and $399,000 as of April 30, 2007.

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

To provide summary reports to our shareholders. We also have a policy of mailing summary quarterly reports to our shareholders in January, April, July, and October of each year. The quarterly reports do not contain financial statements audited by an independent registered public accounting firm. This policy of providing a summary quarterly report to our shareholders is not required by our organizational documents and may be changed by a majority of our Board of Trustees at any time without notice to or a vote of our shareholders.

Information about Segments

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

Our Executive Officers

Set forth below are the names, ages, titles and biographies of each of our executive officers as of July 1, 2008.

Name	Age	Title
Thomas A. Wentz, Sr.	72	President and Chief Executive Officer
Timothy P. Mihalick	49	Senior Vice President and Chief Operating Officer
Thomas A. Wentz, Jr.	42	Senior Vice President
Diane K. Bryantt	44	Senior Vice President and Chief Financial Officer
Michael A. Bosh	37	Secretary and General Counsel
Kelly A. Walters	47	Vice President

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

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

Thomas A. Wentz, Jr. is a graduate of Harvard College and the University of North Dakota School of Law, and joined us as General Counsel and Vice President in January 2000. He has served as a Senior Vice President of Asset Management and Finance since 2002 and as a member of our Board of Trustees since 1996. Prior to 2000, Mr. Wentz was a shareholder in the law firm of Pringle & Herigstad, P.C. from 1992 to 1999. Mr. Wentz is a member of the American Bar Association and the North Dakota Bar Association, and he is a Director of SRT Communications, Inc. Mr. Wentz is the son of Thomas A. Wentz, Sr.

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

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

Kelly A. Walters joined IRET in October of 2006 as Vice President of Capital Markets and New Business Development. Prior to joining IRET, Mr. Walters spent ten years as Senior Vice President of Magnum Resources, Inc., a privately held real estate investment and operating firm, based in Omaha, NE, and from 1993 through 1996, he was a senior portfolio manager with Brown Brothers Harriman & Co. in Chicago, IL. Prior to 1993, Mr. Walters spent five years as the Investment Manager at Peter Kiewit and Sons, Inc. in Omaha, NE. Mr. Walters earned his undergraduate degree in finance at the University of Nebraska at Omaha, and received his MBA from the University of Nebraska.

Employees

As of April 30, 2008, we had 69 employees.

Environmental Matters and Government Regulation

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances released at a property, and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred in connection with any contamination. In addition, some environmental laws create a lien on a contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. These laws often impose liability without regard to whether the current owner was responsible for, or even knew of, the presence of such substances. It is generally our policy to obtain from independent environmental consultants a “Phase I” environmental audit (which involves visual inspection but not soil or groundwater analysis) on all properties that we seek to acquire. We do not believe that any of our properties are subject to any material environmental contamination. However, no assurances can be given that:

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

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

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

Competition

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

Corporate Governance

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

Additionally, the Company's Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by Company employees of concerns regarding accounting or auditing matters. The Audit Committee also maintains a policy requiring Audit Committee approval of all audit and non-audit services provided to the Company by the Company's independent registered public accounting firm.

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

Website and Available Information

Our internet address is www.iret.com. We make available, free of charge, through the "SEC filings" tab under the Investor Relations section of our internet website, our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such forms are filed with or furnished to the SEC. Current copies of our Code of Conduct, Code of Ethics for Senior Financial Officers, and Charters for the Audit, Compensation, Executive and Nominating Committees of our Board of Trustees are also available on our website under the heading "Corporate Governance" in the Investor Relations section of our website. Copies of these documents are also available to shareholders upon request addressed to the Secretary at Investors Real Estate Trust, P.O. Box 1988, Minot, North Dakota 58701. Information on our internet website does not constitute part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

Risks Related to Our Properties and Business

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

- downturns in national, regional and local economic conditions (particularly increases in unemployment);

- competition from other commercial and multi-family residential properties;
- local real estate market conditions, such as oversupply or reduction in demand for commercial and multi-family residential space;
- changes in interest rates and availability of attractive financing;

- declines in the economic health and financial condition of our tenants and our ability to collect rents from our tenants;
- vacancies, changes in market rental rates and the need periodically to repair, renovate and re-lease space;
- increased operating costs, including real estate taxes, state and local taxes, insurance expense, utilities, and security costs;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes and insurance and maintenance costs, which are generally not reduced when circumstances cause a reduction in revenues from a property;
- weather conditions, civil disturbances, natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; and
- decreases in the underlying value of our real estate.

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

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

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

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

Our geographic concentration in Minnesota and North Dakota may result in losses due to our significant exposure to the effects of economic and real estate conditions in those markets. For the fiscal year ended April 30, 2008, we received approximately 67.4% of our gross revenue from properties in Minnesota and North Dakota. As a result of this concentration, we are subject to substantially greater risk than if our investments were more geographically dispersed. Specifically, we are more significantly exposed to the effects of economic and real estate conditions in those particular markets, such as building by competitors, local vacancy and rental rates and general levels of employment and economic activity. To the extent that weak economic or real estate conditions affect Minnesota and/or North Dakota more severely than other areas of the country, our financial performance could be negatively impacted.

If we are not able to renew leases or enter into new leases on favorable terms or at all as our existing leases expire, our revenue, operating results and cash flows will be reduced. We may be unable to renew leases with our existing tenants or enter into new leases with new tenants due to economic and other factors as our existing leases expire or are terminated prior to the expiration of their current terms. As a result, we could lose a significant source of revenue while remaining responsible for the payment of our obligations. In addition, even if we were able to renew existing leases or enter into new leases in a timely manner, the terms of those leases may be less favorable to us than the terms of expiring leases, because the rental rates of the renewal or new leases may be significantly lower than those of the expiring leases, or tenant installation costs, including the cost of required renovations or concessions to tenants, may be significant. If we are unable to enter into lease renewals or new leases on favorable terms or in a timely manner for all or a substantial portion of space that is subject to expiring leases, our revenue, operating results and cash flows will be adversely affected. As a result, our ability to make distributions to the holders of our shares of beneficial interest may be adversely affected. As of April 30, 2008, approximately 879,000 square feet, or 7.6% of our total commercial property square footage, was vacant. Approximately 747 of our 9,500 apartment units, or 7.9%, were vacant. As of April 30, 2008, leases covering approximately 8.3% of our total commercial segments net rentable square footage will expire in fiscal year 2009, 12.7% in fiscal year 2010, 21.0% in fiscal year 2011, 12.8% in fiscal year 2012, and 9.6% in fiscal year 2013.

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

Because real estate investments are generally illiquid, and various factors limit our ability to dispose of assets, we may not be able to sell properties when appropriate. Real estate investments are relatively illiquid and, therefore, we have limited ability to vary our portfolio quickly in response to changes in economic or other conditions. In addition, the prohibitions under the federal income tax laws on REITs holding property for sale and related regulations may affect our ability to sell properties. Our ability to dispose of assets may also be limited by constraints on our ability to utilize disposition proceeds to make acquisitions on financially attractive terms, and the requirement that we take additional impairment charges on certain assets. More specifically, we are required to distribute or pay tax on all capital gains generated from the sale of assets, and, in addition, a significant number of our properties were acquired using limited partnership units of IRET Properties, our operating partnership, and are subject to certain agreements which restrict our ability to sell such properties in transactions that would create current taxable income to the former owners. As a result, we are motivated to structure the sale of these assets as tax-free exchanges. To accomplish this we must identify attractive re-investment opportunities. Recently, while capital market conditions have been favorable for dispositions, investment yields on acquisitions have been less attractive due to the abundant capital inflows into the real estate sector. These considerations impact our decisions on whether or not to dispose of certain of our assets.

Inability to manage our rapid growth effectively may adversely affect our operating results. We have experienced significant growth in recent years, increasing our total assets from approximately $1.2 billion at April 30, 2006, to $1.6 billion at April 30, 2008, principally through the acquisition of additional real estate properties. Subject to our continued ability to raise equity capital and issue limited partnership units of IRET Properties and identify suitable investment properties, we intend to continue our acquisition of real estate properties. Effective management of this level of growth presents challenges, including:

- the need to expand our management team and staff;
- the need to enhance internal operating systems and controls;
- increased reliance on outside advisors and property managers; and

- the ability to consistently achieve targeted returns on individual properties.

We may not be able to maintain similar rates of growth in the future, or manage our growth effectively. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to make distributions to the holders of our shares of beneficial interest.

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

An inability to make accretive property acquisitions may adversely affect our ability to increase our operating income. From our fiscal year ended April 30, 2006, to our fiscal year ended April 30, 2008, our operating income increased from $9.9 million to $12.3 million. The acquisition of additional real estate properties is critical to our ability to increase our operating income. If we are unable to continue to make real estate acquisitions on terms that meet our financial and strategic objectives, whether due to market conditions, a changed competitive environment or unavailability of capital, our ability to increase our operating income may be materially and adversely affected.

High leverage on our overall portfolio may result in losses. As of April 30, 2008, our ratio of total indebtedness to total Net Assets (as that term is used in our Bylaws, which usage is not in accordance with GAAP, “Net Assets” means our total assets at cost before deducting depreciation or other non-cash reserves, less total liabilities) was approximately 143.8%. As of April 30, 2007 and 2006, our percentage of total indebtedness to total Net Assets was approximately 149.6% and 138.0%, respectively. Under our Bylaws we may increase our total indebtedness up to 300.0% of our Net Assets, or by an additional approximately $1.2 billion. There is no limitation on the increase that may be permitted if approved by a majority of the independent members of our board of trustees and disclosed to the holders of our shares of beneficial interest in the next quarterly report, along with justification for any excess.

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

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

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

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

We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to need to refinance at least a portion of our outstanding debt as it matures. We cannot guarantee that any refinancing of debt with other debt will be possible on terms that are favorable or acceptable to us. If we cannot refinance, extend or pay principal payments due at maturity with the proceeds of other capital transactions, such as

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new equity capital, our cash flows may not be sufficient in all years to repay debt as it matures. Additionally, if we are unable to refinance our indebtedness on acceptable terms, or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses to us. These losses could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all with a consequent loss of our revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Internal Revenue Code.

The cost of our indebtedness may increase. Portions of our fixed-rate indebtedness incurred for past property acquisitions come due on a periodic basis. Rising interest rates could limit our ability to refinance this existing debt when it matures, and would increase our interest costs, which could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, we have incurred, and we expect to continue to incur, indebtedness that bears interest at a variable rate. As of April 30, 2008, $11.7 million, or approximately 1.1%, of the principal amount of our total mortgage indebtedness was subject to variable interest rate agreements. If short-term interest rates rise, our debt service payments on adjustable rate debt would increase, which would lower our net income and could decrease our distributions to the holders of our shares of beneficial interest.

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

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

We have significant investments in medical properties and adverse trends in healthcare provider operations may negatively affect our lease revenues from these properties. We have acquired a significant number of specialty medical properties (including senior housing) and may acquire more in the future. As of April 30, 2008, our real estate portfolio consisted of 48 medical properties, with a total real estate investment amount, net of accumulated depreciation, of $327.5 million, or approximately 22.9% of the total real estate investment amount, net of accumulated depreciation, of our entire real estate portfolio. The healthcare industry is currently experiencing changes in the demand for, and methods of delivery of, healthcare services; changes in third-party reimbursement policies; significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas; continuing pressure by private and governmental payors to reduce payments to providers of services; and increased scrutiny of billing, referral and other practices by federal and state authorities. Sources of revenue for our medical property tenants may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. These factors may adversely affect the economic performance of some or all of our medical services tenants and, in turn, our lease revenues. In addition, if we or our tenants terminate the leases for these properties, or our tenants lose their regulatory authority to operate such properties, we may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result could hinder our ability to make distributions to the holders of our shares of beneficial interest.

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

Complying with laws benefiting disabled persons or other safety regulations and requirements may affect our costs and investment strategies. Federal, state and local laws and regulations designed to improve disabled persons' access to and use of buildings, including the Americans with Disabilities Act of 1990, may require modifications to, or restrict renovations of, existing buildings. Additionally, these laws and regulations may require that structural features be added to buildings under construction. Legislation or regulations that may be adopted in the future may impose further burdens or restrictions on us with respect to improved access to, and use of these buildings by, disabled persons. Noncompliance could result in the imposition of fines by government authorities or the award of damages to private litigants. The costs of complying with these laws and regulations may be substantial, and limits or restrictions on construction, or the completion of required renovations, may limit the implementation of our investment strategy or reduce overall returns on our investments. This could have an adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Our properties are also subject to various other federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. Additionally, in the event that existing requirements change, compliance with future requirements may require significant unanticipated expenditures that may adversely affect our cash flow and results of operations.

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

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

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

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

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

Risks Related to Our Structure and Organization

We may incur tax liabilities as a consequence of failing to qualify as a REIT. Although our management believes that we are organized and have operated and are operating in such a manner to qualify as a "real estate investment trust," as that term is defined under the Internal Revenue Code, we may not in fact have operated, or may not be able to continue to operate, in a manner to qualify or remain so qualified. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. Even a technical or inadvertent mistake could endanger our REIT status. The determination that we qualify as a REIT requires an ongoing analysis of various factual matters and circumstances, some of which may not be within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must come from qualifying sources that are itemized in the REIT tax laws, and we are prohibited from owning specified amounts of debt or equity securities of some issuers. Thus, to the extent revenues from non-qualifying sources, such as income from third-party management services, represent more than five percent of our gross income in any taxable year, we will not satisfy the 95% income test and may fail to qualify as a REIT, unless certain relief provisions contained in the Internal Revenue Code apply. Even if relief provisions apply, however, a tax would be imposed with respect to excess net income. We are also required to make distributions to the holders of our shares of beneficial interest of at least 90% of our REIT taxable income, excluding net capital gains. The fact that we hold substantially all of our assets (except for qualified REIT subsidiaries) through IRET Properties, our operating partnership, and its subsidiaries, and our ongoing reliance on factual determinations, such as determinations related to the valuation of our assets, further complicates the application of the REIT requirements for us. Additionally, if IRET Properties, our operating partnership, or one or more of our subsidiaries is determined to be taxable as a corporation, we may fail to qualify as a REIT. Either our failure to qualify as a REIT, for any reason, or the imposition of taxes on excess net income from non-qualifying sources, could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Furthermore, new legislation, regulations, administrative interpretations or court decisions could change the tax laws with respect to our qualification as a REIT or the federal income tax consequences of our qualification.

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

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

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

In order to maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions. In order to maintain our REIT status, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements, even if the then-prevailing market conditions are not favorable for these borrowings. To qualify as a REIT, we generally must distribute to our shareholders at least 90% of our net taxable income each year, excluding net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions made by us with respect to the calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income for that year, and any undistributed taxable income from prior periods. We intend to make distributions to our shareholders to comply with the 90% distribution requirement and to avoid the nondeductible excise tax and will rely for this purpose on distributions from our operating partnership. However, we may need short-term debt or long-term debt or proceeds from asset sales or sales of common shares to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. The inability of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status.

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

Risks Related to the Purchase of our Shares of Beneficial Interest

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

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

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

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

Our distributions are not eligible for the lower tax rate on dividends except in limited situations. The tax rate applicable to qualifying corporate dividends received by certain non-corporate shareholders prior to 2010 has been reduced to a maximum rate of 15%. This special tax rate is generally not applicable to distributions paid by a REIT, unless such distributions represent earnings on which the REIT itself had been taxed. As a result, distributions (other than capital gain distributions) paid by us to certain non-corporate shareholders will generally be subject to the tax rates that are otherwise applicable to ordinary income which, currently, are as high as 35%. This law change may make an investment in our common shares comparatively less attractive relative to an investment in the shares of other entities which pay dividends but are not formed as REITs.

Changes in market conditions could adversely affect the price of our shares of beneficial interest. As is the case with any publicly-traded securities, certain factors outside of our control could influence the value of our common shares,

Series A preferred shares and any other classes or series of preferred shares of beneficial interest to be issued in the future. These conditions include, but are not limited to:

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

Higher market interest rates may adversely affect the market price of our common shares, and low trading volume on the NASDAQ Global Select Market may prevent the timely resale of our common shares. One of the factors that investors may consider important in deciding whether to buy or sell shares of a REIT is the distribution with respect to such REIT's shares as a percentage of the price of those shares, relative to market interest rates. If market interest rates rise, prospective purchasers of REIT shares may expect a higher distribution rate in order to maintain their investment. Higher market interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to decline. In addition, although our common shares of beneficial interest are listed on the NASDAQ Global Select Market, the daily trading volume of our shares may be lower than the trading volume for other companies. The average daily trading volume for the period of May 1, 2007, through April 30, 2008, was 194,469 shares and the average monthly trading volume for the period of May 1, 2007 through April 30, 2008 was 4,100,054 shares. As a result of this trading volume, an owner of our common shares may encounter difficulty in selling our shares in a timely manner and may incur a substantial loss.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

Certain financial information from fiscal 2007 and 2006 was adjusted to reflect the effects of discontinued operations. See the Property Dispositions section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the discussion in Note 12 to our Consolidated Financial Statements.

Total Real Estate Rental Revenue

As of April 30, 2008, our real estate portfolio consisted of 72 multi-family residential properties and 163 commercial properties, consisting of office, medical, industrial and retail properties, comprising 28.6%, 34.9%, 22.9%, 6.6%, and 7.0%, respectively, of our total real estate portfolio, based on the dollar amount of our original investment plus capital improvements, net of accumulated depreciation, through April 30, 2008. Gross annual rental revenue and percentages of total annual real estate rental revenue by property type for each of the three most recent fiscal years ended April 30, are as follows:

Fiscal Year Ended April 30, (in thousands)	Multi-Family Residential Gross Revenue	%	Commercial Office Gross Revenue	%	Commercial Medical Gross Revenue	%	Commercial Industrial Gross Revenue	%	Commercial Retail Gross Revenue	%	Total Revenue
2008	$ 72,827	32.9%	$ 84,042	38.0%	$ 38,412	17.4%	$ 11,691	5.3%	$ 14,198	6.4%	$ 221,170
2007	$ 66,972	34.0%	$ 73,603	37.2%	$ 34,783	17.6%	$ 8,091	4.1%	$ 14,089	7.1%	$ 197,538
2006	$ 61,669	36.3%	$ 57,483	33.8%	$ 31,670	18.6%	$ 6,372	3.7%	$ 12,977	7.6%	$ 170,171

Economic Occupancy Rates

Economic occupancy levels on a stabilized property and all-property basis are shown below for each property type in each of the three most recent fiscal years ended April 30. Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of scheduled rental revenues for the period. Percentage rents, tenant concessions, straightline adjustments and expense reimbursements are not considered in computing either actual revenues or scheduled rent revenues. Scheduled rent revenue is determined by valuing occupied units or square footage at contract rates and vacant units or square footage at market rates. Stabilized properties are those properties owned for the entirety of both periods being compared. While results presented on a stabilized property basis are not determined in accordance with GAAP, management believes that measuring performance on a stabilized property basis is useful to investors and to management because it enables evaluation of how the Company's properties are performing year over year. In the case of multi-family residential properties, lease arrangements with individual tenants vary from month-to-month to one-year leases. Leases on commercial properties generally vary from month-to-month to 20 years.

Segments	Stabilized Properties			All Properties		
	Fiscal Year Ended April 30,			Fiscal Year Ended April 30,		
	2008	2007	2006	2008	2007	2006
Multi - Family Residential	93.3%	93.2%	91.7%	92.7%	93.2%	91.6%
Commercial - Office	91.0%	90.8%	92.6%	92.1%	91.9%	92.6%
Commercial - Medical	95.5%	96.7%	96.8%	95.3%	96.7%	96.1%
Commercial - Industrial	96.2%	94.8%	94.8%	87.2%	95.1%	87.2%
Commercial - Retail	87.1%	89.3%	89.3%	89.2%	89.6%	89.2%

Certain Lending Requirements

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

Management and Leasing of Our Real Estate Assets

We conduct our operations from offices in Minot, North Dakota; Minneapolis, Minnesota and Omaha, Nebraska. We also have property management offices in St. Louis, Missouri; Jamestown, North Dakota and Kansas City, Kansas. The day-to-day management of our commercial properties is carried out by our own employees and by third-party property management companies. The management and leasing of our multi-family residential properties are handled by locally-based, third-party management companies.

In markets where the amount of rentable square footage we own does not justify self-management, when properties acquired have effective pre-existing property management in place, or when for other reasons particular properties are in our judgment not attractive candidates for self-management, we utilize third-party professional management companies for day-to-day management. However, all decisions relating to purchase, sale, insurance coverage, capital improvements, approval of commercial leases, annual operating budgets and major renovations are made exclusively by our employees and implemented by the third-party management companies. As of April 30, 2008, we have under internal management 90 commercial properties. Our remaining 73 commercial properties are managed by third parties. We plan to continue evaluating our portfolio to identify other commercial properties that may be candidates for management by our own employees.

As of April 30, 2008, we had property management contracts and/or leasing agreements with the following companies:

Residential Management	Commercial Management and Leasing
• Builder's Management & Investment Co., Inc.	• A & L Management Services, LLC
• ConAm Management Corporation	• AJB, Inc. dba Points West Realty Management
• Investors Management & Marketing, Inc.	• Bayport Properties US, Inc.
• Illies Nohava Heinen Property Management, Inc.	• BTO Development Corporation
• Kahler Property Management	• CB Richard Ellis, Inc.
• Paramark Corp.	• Colliers Turley Martin Tucker Company
	• Dakota Commercial and Development Co.
	• Davis Real Estate Services Group
	• Duemelands Commercial LLLP
	• Frauenshuh Companies
	• Ferguson Property Management Services, L.C.
	• Illies Nohava Heinen Property Management, Inc.
	• Inland Companies, Inc.
	• Mega Corporation, dba CB Richard Ellis/Mega
	• Nath Management, Inc.
	• Northco Real Estate Services, LLC
	• NorthMarq Real Estate Brokerage LLC
	• Northstar Partners, LLC
	• Pacific Realty Commercial LLC
	• Paramount Real Estate Corporation
	• Red Brokerage LLC
	• Results Unlimited, Inc.
	• Sansone Group/DDR LLC
	• Thornton Oliver Keller, Commercial, LLC
	• United Properties, LLC
	• Vector Property Services, LLC
	• Welsh Companies, LLC
	• Winbury Realty of K.C.

Generally, our management contracts provide for compensation ranging from 2.5% to 5.0% of gross rent collections and, typically, we may terminate these contracts in 60 days or less or upon the property manager's failure to meet certain specified financial performance goals.

With respect to multi-tenant commercial properties, we rely almost exclusively on third-party brokers to locate potential tenants. As compensation, brokers may receive a commission that is generally calculated as a percentage of the net rent to be paid over the term of the lease. We believe that the broker commissions paid by us conform to market and industry standards, and accordingly are commercially reasonable.

Summary of Real Estate Investment Portfolio

As of April 30, (in thousands)	2008	%	2007	%	2006	%
Real estate investments						
Property owned	$ 1,648,259		$ 1,489,287		$ 1,269,423	
Less accumulated depreciation	(219,379)		(180,544)		(148,607)	
	$ 1,428,880	98.1%	$ 1,308,743	99.4%	$ 1,120,816	99.5%
Development in progress	22,856	1.6%	3,498	0.3%	2,122	0.2%
Unimproved land	3,901	0.3%	3,894	0.3%	3,053	0.3%
Mortgage loans receivable	541	0.0%	399	0.0%	409	0.0%
Total real estate investments	$ 1,456,178	100.0%	$ 1,316,534	100.0%	$ 1,126,400	100.0%

Summary of Individual Properties Owned as of April 30, 2008

The following table presents information regarding our 235 properties owned as of April 30, 2008. We own the following interests in real estate either through our wholly-owned subsidiaries or by ownership of a controlling interest in an entity owning the real estate. We account for these interests on a consolidated basis. Occupancy rates given are the average economic occupancy rates for the fiscal year ended April 30, 2008:

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

**=Single-family house

Property Name and Location	Units		(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
MULTI-FAMILY RESIDENTIAL				
17 S Main Apartments - Minot, ND	4	$	222	100.0%
408 1st Street SE - Minot, ND	**		49	100.0%
Applewood On The Green - Omaha, NE	234		12,929	78.9%
Arbors Apts - S Sioux City, NE	192		7,419	92.8%
Boulder Court - Eagan, MN	115		7,574	90.2%
Brookfield Village Apartments - Topeka, KS	160		7,900	95.6%
Candlelight Apartments - Fargo, ND	66		1,836	97.4%
Canyon Lake Apartments - Rapid City, SD	109		4,468	86.1%
Castle Rock - Billings, MT	165		6,706	90.9%
Chateau Apartments - Minot, ND	64		3,216	100.0%
Colonial Villa - Burnsville, MN	240		15,798	89.2%
Colton Heights Properties - Minot, ND	18		1,059	99.5%
Cottonwood Community - Bismarck, ND	268		20,366	77.7%
Country Meadows Community - Billings, MT	134		8,921	96.4%
Crestview Apartments - Bismarck, ND	152		5,241	99.3%
Crown Colony Apartments - Topeka, KS	220		11,658	93.1%
Dakota Hill At Valley Ranch - Irving, TX	504		39,489	91.9%
East Park Apartments - Sioux Falls, SD	84		2,944	92.7%
Forest Park Estates - Grand Forks, ND	270		9,695	91.6%
Greenfield Apartments - Omaha,NE	96		4,817	93.2%
Heritage Manor - Rochester, MN	182		8,464	98.3%
Indian Hills Apartments - Sioux City, IA	120		5,061	74.1%
Jenner Properties - Grand Forks, ND	90		2,368	98.5%
Kirkwood Manor - Bismarck, ND	108		4,310	98.1%
Lancaster Place - St. Cloud, MN	84		3,817	90.7%
Legacy Community - Grand Forks, ND	358		27,467	94.0%
Magic City Apartments - Minot, ND	200		5,676	99.1%
Meadows Community - Jamestown, ND	81		6,063	100.0%
Miramont Apartments - Fort Collins, CO	210		15,387	98.8%
Monticello Apartments - Monticello, MN	60		4,489	94.3%

Neighborhood Apartments - Colorado Springs, CO	192	13,416	94.4%
North Pointe - Bismarck, ND	49	2,507	100.0%
Oakmont Apartments - Sioux Falls, SD	80	5,386	94.1%
Oakwood - Sioux Falls, SD	160	6,538	90.8%
Olympic Village - Billings, MT	274	12,957	96.7%
Olympik Village Apartments - Rochester, MN	140	7,627	97.0%
Oxbow - Sioux Falls, SD	120	5,579	94.1%
Park Meadows Community - Waite Park, MN	360	14,134	84.2%
Pebble Springs - Bismarck, ND	16	826	100.0%
Pinecone Apartments - Fort Collins, CO	195	14,307	90.8%

Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
MULTI-FAMILY RESIDENTIAL - continued			
Pinehurst Apartments - Billings, MT	21	$ 822	100.0%
Pointe West - Rapid City, SD	90	4,811	94.7%
Prairie Winds Apartments - Sioux Falls, SD	48	2,270	81.2%
Prairiewood Meadows - Fargo, ND	85	3,568	88.8%
Quarry Ridge Apartments - Rochester, MN	154	14,752	91.9%
Ridge Oaks - Sioux City, IA	132	5,270	95.7%
Rimrock Apartments - Billings, MT	78	4,200	97.1%
Rocky Meadows - Billings, MT	98	7,040	98.5%
Rum River Apartments - Isanti, MN	72	5,668	93.4%
SCSH Campus Heights Apartments - St. Cloud, MN	49	747	75.9%
SCSH Campus Plaza Apartments - St. Cloud, MN	24	368	91.0%
SCSH Campus Knoll I Apartments - St. Cloud, MN	71	1,796	93.3%
SCSH University Park Place Apartments - St. Cloud, MN	35	539	87.4%
SCSH Cornerstone Apartments - St. Cloud, MN	24	367	72.9%
SCSH Campus Center Apartments - St. Cloud, MN	90	2,655	98.9%
SCSH Campus Side Apartments - St. Cloud, MN	48	726	91.7%
SCSH Campus View Apartments - St. Cloud, MN	48	727	97.8%
Sherwood Apartments - Topeka, KS	300	17,430	98.5%
Southbrook & Mariposa - Topeka, KS	54	5,680	97.3%
South Pointe - Minot, ND	195	11,714	99.6%
Southview Apartments - Minot, ND	24	902	99.6%
Southwind Apartments - Grand Forks, ND	164	7,017	83.3%
Sunset Trail - Rochester, MN	146	14,937	94.8%
Sweetwater Properties - Grafton, ND	42	901	75.6%
Sycamore Village Apartments - Sioux Falls, SD	48	1,723	87.6%
Terrace On The Green - Moorhead, MN	116	3,152	93.3%
Thomasbrook Apartments - Lincoln, NE	264	11,553	75.2%
Valley Park Manor - Grand Forks, ND	168	6,038	94.3%
Village Green - Rochester, MN	36	2,770	97.2%
West Stonehill - Waite Park, MN	313	14,352	87.4%
Westwood Park - Bismarck, ND	64	2,772	98.4%
Winchester - Rochester, MN	115	7,176	90.2%
Woodridge Apartments - Rochester, MN	110	7,567	89.7%
TOTAL MULTI-FAMILY RESIDENTIAL	9,500	$ 510,697	92.7%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy

OFFICE BUILDINGS				
1st Avenue Building - Minot, ND	15,446	$	694	82.5%
401 South Main - Minot, ND	8,443		643	0.0%
610 Business Center IV - Brooklyn Park, MN	78,560		8,583	0.0%
2030 Cliff Road - Eagan, MN	13,374		983	100.0%
7800 W Brown Deer Road - Milwaukee, WI	175,610		11,108	100.0%
American Corporate Center - Mendota Heights, MN	138,959		20,498	86.1%
Ameritrade - Omaha, NE	73,742		8,349	100.0%
Benton Business Park - Sauk Rapids, MN	30,464		1,527	94.9%
Bloomington Business Plaza - Bloomington, MN	121,064		8,041	52.2%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
OFFICE BUILDINGS - continued			
Brenwood - Minnetonka, MN	176,789	$ 16,571	78.7%
Brook Valley I - La Vista, NE	30,000	2,045	68.3%
Burnsville Bluffs II - Burnsville, MN	45,158	3,247	73.8%
Cold Spring Center - St. Cloud, MN	77,634	9,066	90.6%
Corporate Center West - Omaha, NE	141,724	21,405	100.0%
Crosstown Centre - Eden Prairie, MN	185,000	17,933	100.0%
Dewey Hill Business Center - Edina, MN	73,338	5,341	29.4%
Farnam Executive Center - Omaha, NE	94,832	13,592	100.0%
Flagship - Eden Praire, MN	138,825	24,015	97.1%
Gateway Corporate Center, Woodbury, MN	59,827	9,489	100.0%
Golden Hills Office Center - Golden Valley, MN	190,758	23,858	95.9%
Great Plains - Fargo, ND	122,040	15,375	100.0%
Highlands Ranch - Highlands Ranch, CO	81,173	11,762	100.0%
Highlands Ranch I- Highlands Ranch, CO	71,430	10,629	100.0%
Interlachen Corporate Center - Edina, MN	105,084	16,726	94.9%
Intertech Building - Fenton, MO	64,607	6,099	90.9%
Mendota Office Center I - Mendota Heights, MN	59,852	7,219	81.2%
Mendota Office Center II - Mendota Heights, MN	88,398	12,136	67.2%
Mendota Office Center III - Mendota Heights, MN	60,776	6,806	93.6%
Mendota Office Center IV - Mendota Heights, MN	72,231	8,705	100.0%
Minnesota National Bank - Duluth, MN	17,108	1,745	100.0%
Miracle Hills One - Omaha, NE	83,448	12,470	86.1%
Nicollett VII - Burnsville, MN	118,125	7,444	79.1%
Northgate I - Maple Grove, MN	79,297	7,789	100.0%
Northgate II - Maple Grove, MN	26,000	2,445	100.0%
Northpark Corporate Center - Arden Hills, MN	146,087	17,485	84.8%
Pacific Hills - Omaha, NE	143,075	16,508	94.5%
Pillsbury Business Center - Bloomington, MN	42,220	1,904	45.8%
Plaza VII - Boise, ID	28,994	3,688	82.8%
Plymouth 5095 Nathan Lane - Plymouth, MN	20,528	1,897	100.0%
Plymouth I - Plymouth, MN	26,186	1,680	89.3%
Plymouth II - Plymouth, MN	26,186	1,643	100.0%
Plymouth III - Plymouth, MN	26,186	2,012	100.0%
Plymouth IV & V - Plymouth, MN	126,930	14,889	95.1%
Prairie Oak Business Center - Eden Prairie, MN	36,421	5,935	100.0%
Rapid City, SD - 900 Concourse Drive - Rapid City, SD	75,815	7,088	100.0%
Riverport - Maryland Heights, MO	122,567	20,873	100.0%
Southeast Tech Center - Eagan, MN	58,300	6,358	100.0%
Spring Valley IV - Omaha, NE	15,700	1,138	100.0%
Spring Valley V - Omaha, NE	24,171	1,364	49.1%
Spring Valley X - Omaha, NE	24,000	1,232	83.6%

Spring Valley XI - Omaha, NE	24,000	1,265	100.0%
Superior Office Building - Duluth, MN	20,000	2,539	100.0%
TCA Building - Eagan, MN	103,640	9,903	75.7%
Three Paramount Plaza - Bloomington, MN	75,526	8,202	86.1%
Thresher Square - Minneapolis, MN	117,144	12,105	71.9%
Timberlands - Leawood, KS	90,388	14,730	73.8%
UHC Office - International Falls, MN	30,000	2,505	100.0%
US Bank Financial Center - Bloomington, MN	153,947	16,752	96.2%
Viromed - Eden Prairie, MN	48,700	4,863	100.0%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
OFFICE BUILDINGS - continued			
Wells Fargo Center - St Cloud, MN	86,428	$ 10,021	92.6%
West River Business Park - Waite Park, MN	24,075	1,476	82.0%
Westgate - Boise, ID	103,342	12,231	100.0%
Whitewater Plaza - Minnetonka, MN	62,383	5,645	46.7%
Wirth Corporate Center - Golden Valley, MN	74,568	9,001	96.8%
Woodlands Plaza IV - Maryland Heights, MO	61,820	5,442	83.9%
TOTAL OFFICE BUILDINGS	4,938,443	$ 556,712	92.1%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
MEDICAL			
2800 Medical Building - Minneapolis, MN	54,490	$ 8,203	82.9%
6517 Drew Avenue South - Edina, MN	12,140	1,515	100.0%
Abbott Northwest - Sartell, MN*	59,760	12,653	95.7%
Airport Medical - Bloomington, MN*	24,218	4,678	100.0%
Barry Pointe Office Park - Kansas City, MO	18,502	2,749	100.0%
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN	53,466	8,609	100.0%
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN	36,199	5,825	100.0%
Denfeld Clinic - Duluth, MN	20,512	3,099	100.0%
Eagan 1440 Duckwood Medical - Eagan, MN	17,640	2,096	100.0%
Edgewood Vista - Belgrade, MT	5,192	814	100.0%
Edgewood Vista - Billings, MT	11,800	1,898	100.0%
Edgewood Vista - Bismarck, ND	74,112	9,740	100.0%
Edgewood Vista - Brainerd, MN	82,535	9,620	100.0%
Edgewood Vista - Columbus, NE	5,194	867	100.0%
Edgewood Vista - East Grand Forks, MN	18,488	1,673	100.0%
Edgewood Vista - Fargo, ND	168,801	21,842	100.0%
Edgewood Vista - Fremont, NE	6,042	588	100.0%
Edgewood Vista - Grand Island, NE	5,185	807	100.0%
Edgewood Vista - Hastings, NE	6,042	606	100.0%
Edgewood Vista - Hermantown I, MN	119,349	11,749	100.0%
Edgewood Vista - Hermantown II, MN	160,485	11,269	100.0%
Edgewood Vista - Kalispell, MT	5,895	624	100.0%
Edgewood Vista - Missoula, MT	10,150	999	100.0%
Edgewood Vista - Norfolk, NE	5,135	764	100.0%

Edgewood Vista - Omaha, NE	6,042	676	100.0%
Edgewood Vista - Sioux Falls, SD	11,800	1,316	100.0%
Edgewood Vista - Spearfish, SD	60,161	6,156	100.0%
Edgewood Vista - Virginia, MN	147,183	12,221	100.0%
Edina 6363 France Medical - Edina, MN*	70,934	12,675	97.3%
Edina 6405 France Medical - Edina, MN*	55,478	12,201	100.0%
Fox River Cottages - Grand Chute, WI	26,336	3,808	100.0%
Fresenius - Duluth, MN	9,052	1,572	100.0%
Garden View - St. Paul, MN*	43,404	7,588	100.0%
Gateway Clinic - Sandstone, MN*	12,444	1,765	100.0%
Health East St John & Woodwinds - Maplewood & Woodbury, MN	114,316	21,601	100.0%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
MEDICAL - continued			
High Pointe Health Campus - Lake Elmo, MN	60,294	$ 12,127	94.1%
Mariner Clinic - Superior, WI*	28,928	3,788	100.0%
Minneapolis 701 25th Ave Medical (Riverside) - Minneapolis, MN*	57,212	7,873	100.0%
Nebraska Orthopaedic Hospital - Omaha, NE*	61,758	20,512	100.0%
Park Dental - Brooklyn Center, MN	9,998	2,952	100.0%
Pavilion I - Duluth, MN*	45,081	10,174	100.0%
Pavilion II - Duluth, MN	73,000	19,325	100.0%
Ritchie Medical Plaza - St Paul, MN	50,409	9,575	64.5%
St Michael Clinic - St Michael, MN	10,796	2,851	100.0%
Southdale FM - Edina, MN	67,409	13,999	96.8%
Southdale SMB - Edina, MN*	195,983	34,459	82.0%
Stevens Point - Stevens Point, WI	47,950	14,825	100.0%
Wells Clinic - Hibbing, MN	18,810	2,660	100.0%
TOTAL MEDICAL	2,266,110	$ 359,986	95.8%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
INDUSTRIAL			
API Building - Duluth, MN	35,000	$ 1,723	100.0%
Bloomington 2000 W 94th Street - Bloomington, MN	100,850	6,229	100.0%
Bodycote Industrial Building - Eden Prairie, MN	41,880	2,152	100.0%
Cedar Lake Business Center - St. Louis Park, MN	50,400	3,705	100.0%
Dixon Avenue Industrial Park - Des Moines, IA	604,886	13,171	82.4%
Eagan 2785 & 2795 Hwy 55 - Eagan, MN	198,600	5,922	100.0%
Lexington Commerce Center - Eagan, MN	90,260	6,472	100.0%
Lighthouse - Duluth, MN	59,292	1,885	81.6%
Metal Improvement Company - New Brighton, MN	49,620	2,507	100.0%
Roseville 2929 Long Lake Road - Roseville, MN	172,057	10,541	100.0%
Stone Container - Fargo, ND	195,075	7,141	100.0%
Stone Container - Roseville, MN	229,072	8,250	100.0%
Urbandale 3900 106th Street - Urbandale, IA	528,353	13,810	100.0%
Waconia Industrial Building - Waconia, MN	29,440	2,004	100.0%
Wilson's Leather - Brooklyn Park, MN	353,049	13,805	100.0%
Winsted Industrial Building - Winsted, MN	41,685	1,007	100.0%
Woodbury 1865 Woodland - Woodbury, MN	69,600	3,736	100.0%
TOTAL INDUSTRIAL	2,849,119	$ 104,060	96.3%

RETAIL				
17 South Main - Minot, ND	2,454	$	287	100.0%
Anoka Strip Center - Anoka, MN	10,625		733	56.8%
Burnsville 1 Strip Center - Burnsville, MN	8,526		1,029	100.0%
Burnsville 2 Strip Center - Burnsville, MN	8,400		804	86.5%
Champlin South Pond - Champlin, MN	26,259		3,635	85.1%
Chan West Village - Chanhassen, MN	137,572		21,375	98.1%
Dakota West Plaza - Minot, ND	16,921		605	78.3%
Duluth Denfeld Retail - Duluth, MN	37,547		4,986	96.7%
Duluth NAPA - Duluth, MN	15,582		1,933	100.0%
Eagan Community - Eagan, MN	23,187		2,710	89.7%

Property Name and Location	Approximate Net Rentable Square Footage		(in thousands) Investment (initial cost plus improvements)	Fiscal 2008 Economic Occupancy
RETAIL - continued				
East Grand Station - East Grand Forks, MN	16,103	$	1,392	100.0%
Fargo Express Community - Fargo, ND	34,226		1,809	100.0%
Forest Lake Auto - Forest Lake, MN	6,836		501	100.0%
Forest Lake Westlake Center - Forest Lake, MN	100,570		8,187	100.0%
Grand Forks Carmike - Grand Forks, ND	28,528		2,546	100.0%
Grand Forks Medpark Mall - Grand Forks, ND	59,117		5,697	100.0%
Jamestown Buffalo Mall - Jamestown, ND	213,271		5,748	84.1%
Jamestown Business Center - Jamestown, ND	100,129		2,360	91.8%
Kalispell Retail Center - Kalispell, MT	52,000		3,470	100.0%
Kentwood Thomasville Furniture - Kentwood, MI	16,080		2,121	100.0%
Ladysmith Pamida - Ladysmith, WI	41,000		1,500	100.0%
Lakeville Strip Center - Lakeville, MN	9,488		1,971	100.0%
Livingston Pamida - Livingston, MT	41,200		1,800	100.0%
Minot Arrowhead SC - Minot, ND	77,912		7,787	96.9%
Minot Plaza - Minot, ND	10,843		595	100.0%
Monticello C Store - Monticello, MN	3,575		893	100.0%
Omaha Barnes & Noble - Omaha, NE	26,985		3,699	100.0%
Pine City C Store - Pine City, MN	4,800		442	100.0%
Pine City Evergreen Square - Pine City, MN	63,225		3,225	60.9%
Rochester Maplewood Square - Rochester, MN	118,398		11,987	57.7%
St. Cloud Westgate SC - St. Cloud, MN	104,928		6,841	58.7%
Weston Retail - Weston, WI	25,644		1,681	100.0%
Weston Walgreens - Weston, WI	14,820		2,455	100.0%
TOTAL RETAIL	1,456,751	$	116,804	87.4%
SUBTOTAL	11,510,423	$	1,648,259	

Property Name and Location		(in thousands) Investment (initial cost plus improvements)
UNIMPROVED LAND		
Eagan Unimproved Land - Eagan, MN	$	422
Kalispell Unimproved Land - Kalispell, MT		1,424
Monticello Unimproved Land - Monticello, MN		96
Quarry Ridge Unimproved Land - Rochester, MN		942
River Falls Unimproved Land - River Falls, WI		205
Weston Unimproved Land - Weston, WI		812
TOTAL UNIMPROVED LAND	$	3,901

DEVELOPMENT IN PROGRESS			
401 South Main - Minot, ND		$	46
2828 Chicago Avenue - Minneapolis, MN			8,162
Minot Corporate Plaza - Minot, ND			9,189
Southdale 6545 Expansion - Edina, MN			5,459
DEVELOPMENT IN PROGRESS		$	22,856
TOTAL UNITS – RESIDENTIAL SEGMENT	9,500		
TOTAL SQUARE FOOTAGE – COMMERCIAL SEGMENTS	11,510,423		
TOTAL INVESTMENTS		$	1,675,016

Mortgages Payable

As of April 30, 2008, individual first mortgage loans on the above properties totaled $1.0 billion. Of the $1.1 billion of mortgage indebtedness on April 30, 2008, $11.7 million is represented by variable rate mortgages on which the future interest rate will vary based on changes in the interest rate index for each respective loan. The balance of fixed rate mortgages totaled $1.1 billion. Principal payments due on our mortgage indebtedness are as follows:

Year Ended April 30,	Mortgage Principal (in thousands)
2009	$ 44,318
2010	153,680
2011	103,094
2012	106,356
2013	51,689
Thereafter	604,721
Total	$ 1,063,858

Future Minimum Lease Receipts

The future minimum lease receipts to be received under leases for commercial properties in place as of April 30, 2008, assuming that no options to renew or buy out the leases are exercised, are as follows:

Year Ended April 30,	Lease Payments (in thousands)
2009	$ 108,758
2010	100,852
2011	85,976
2012	71,839
2013	59,844
Thereafter	303,769
Total	$ 731,038

Capital Expenditures

Each year we review the physical condition of each property we own. In order for our properties to remain competitive, attract new tenants, and retain existing tenants, we plan for a reasonable amount of capital improvements. For the year ended April 30, 2008, we spent approximately $25.8 million on capital improvements.

Contracts or Options to Purchase

We have granted options to purchase certain of our properties to tenants in these properties, under lease agreements with the tenant. In general, these options grant the tenant the right to purchase the property at the greater of such property's appraised value or an annual compounded increase of a specified percentage of the initial cost to us. As of April 30, 2008, our properties subject to purchase options, the cost, plus improvements, of each such property and its gross rental revenue are as follows:

		(in thousands) Gross Rental Revenue		
Property	Investment Cost	2008	2007	2006
Abbott Northwest-Sartell, MN	$ 12,653	$ 1,292	$ 1,252	$ 1,233
Edgewood Vista-Belgrade, MT	2,135	31	0	0
Edgewood Vista-Billings, MT	4,289	66	0	0
Edgewood Vista-Bismarck, ND	10,903	985	980	653
Edgewood Vista-Brainerd, MN	10,667	971	968	645
Edgewood Vista-Columbus, NE	1,481	21	0	0
Edgewood Vista East Grand Forks, MN	5,027	78	0	0
Edgewood Vista-Fargo, ND	26,322	310	0	0
Edgewood Vista-Fremont, NE	588	69	68	62
Edgewood Vista-Grand Island, NE	1,431	20	0	0
Edgewood Vista-Hastings, NE	606	69	68	63
Edgewood Vista-Hermantown I, MN	11,749	1,557	1,472	1,472
Edgewood Vista-Hermantown II, MN	22,209	1,127	1,124	749
Edgewood Vista-Kalispell, MT	624	72	72	62
Edgewood Vista-Missoula, MT	999	132	132	120
Edgewood Vista-Norfolk, NE	1,332	19	0	0
Edgewood Vista-Omaha, NE	676	77	76	70
Edgewood Vista-Sioux Falls, SD	3,380	52	0	0
Edgewood Vista-Spearfish, SD	6,792	612	608	406
Edgewood Vista-Virginia, MN	17,207	1,381	1,320	1,320
Fox River Cottage - Grand Chute, WI	3,956	387	260	0
Great Plains Software - Fargo, ND	15,375	1,876	1,876	1,876
Healtheast - Woodbury & Maplewood, MN	21,601	2,032	2,032	2,032
Minnesota National Bank - Duluth, MN	2,104	205	135	100
St. Michael Clinic - St. Michael, MN	2,851	229	35	0
Stevens Point - Stevens Point, WI	15,020	1,279	630	102
Total	$ 201,977	$ 14,949	$ 13,108	$ 10,965

Properties by State

The following table presents, as of April 30, 2008, the total real estate investment amount, net of accumulated depreciation, by state of each of the five major segments of properties owned by us - multi-family residential, office, medical, industrial and retail:

	(in thousands)						
State	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total	% of Total
Minnesota	$ 116,778	$ 314,948	$ 238,972	$ 63,142	$ 64,669	$ 798,509	55.9%
North Dakota	95,059	12,769	30,912	5,371	21,665	165,776	11.6%
Nebraska	31,561	74,968	22,498	0	2,731	131,758	9.2%
Colorado	31,280	21,101	0	0	0	52,381	3.7%
Kansas	35,418	14,161	0	0	0	49,579	3.5%
Montana	32,055	0	3,985	0	4,698	40,738	2.8%

South Dakota	25,381	5,766	7,086	0	0	38,233	2.7%
Wisconsin	0	9,541	21,375	0	5,130	36,046	2.5%
Texas	32,086	0	0	0	0	32,086	2.2%
All Other States*	9,115	45,363	2,692	25,027	1,577	83,774	5.9%
Total	$ 408,733	$ 498,617	$ 327,520	$ 93,540	$ 100,470	$ 1,428,880	100.0%

* Idaho, Iowa, Michigan and Missouri

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to our shareholders during the fourth quarter of the fiscal year ended April 30, 2008.

PART II

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

Quarterly Share and Distribution Data

Our common shares of beneficial interest trade on the NASDAQ Global Select Market under the symbol IRET (formerly IRETS; we changed our symbol to IRET on July 1, 2008). On June 30, 2008, the last reported sales price per share of our common shares on the NASDAQ was $9.54. The following table sets forth the quarterly high and low closing sales prices per share of our common shares as reported on the NASDAQ Global Select Market, and the distributions per common share and limited partnership unit declared with respect to each period.

Quarter Ended	High	Low	Distributions Declared (per share and unit)
Fiscal Year 2008			
April 30, 2008	$ 10.47	$ 8.95	$ 0.1680
January 31, 2008	10.55	8.84	0.1675
October 31, 2007	11.59	9.35	0.1670
July 31, 2007	10.86	9.40	0.1665

Quarter Ended	High	Low	Distributions Declared (per share and unit)
Fiscal Year 2007			
April 30, 2007	$ 11.00	$ 9.66	$ 0.1660
January 31, 2007	10.68	9.65	0.1655
October 31, 2006	10.15	9.22	0.1650
July 31, 2006	9.50	8.85	0.1645

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

Shareholders

As of June 30, 2008, the Company had 4,054 common shareholders of record, and 57,869,815 common shares of beneficial interest (plus 21,293,532 limited partnership units potentially convertible into 21,293,532 common shares) were outstanding.

Unregistered Sales of Shares

Sales of Unregistered Securities. During the fiscal years ended April 30, 2008, 2007 and 2006, respectively, we issued an aggregate of 389,670, and 219,587 and 342,242 unregistered common shares to holders of limited partnership units of IRET Properties upon redemption and conversion of an aggregate of 389,670, and 219,587 and 342,242 limited partnership units of IRET Properties on a one-for-one basis. All such issuances of our common shares were exempt from registration as private placements under Section 4(2) of the Securities Act, including Regulation D promulgated thereunder. We have registered the re-sale of such common shares under the Securities Act.

Issuer Purchases of Equity Securities. The Company did not repurchase any of its equity securities during fiscal year 2008, except for repurchases of nominal amounts of fractional shares, at shareholder request.

Comparative Stock Performance

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

Set forth below is a graph that compares, for the five fiscal years commencing May 1, 2003, and ending April 30, 2008, the cumulative total returns for the Company's common shares with the comparable cumulative total return of two indexes, the Standard & Poor's 500 Index ("S&P 500"), and the NAREIT Equity Index, which is an index prepared by the National Association of Real Estate Investment Trusts, which includes all tax-qualified equity REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ Market.

The performance graph assumes that at the close of trading on April 30, 2003, the last trading day of fiscal year 2003, $100 was invested in the Company's common shares and in each of the indexes. The comparison assumes the reinvestment of all distributions. Cumulative total shareholder returns for the Company's common shares, the S&P 500 and the NAREIT Equity Index are based on the Company's fiscal year ending April 30.

	FY03	FY04	FY05	FY06	FY07	FY08
Investors Real Estate Trust	100.00	104.32	104.95	117.62	140.08	144.53
S&P 500	100.00	122.88	130.66	150.81	173.79	165.66
NAREIT Equity	100.00	124.84	168.06	212.73	269.03	235.36

Source: Research Data Group, Inc.

Item 6. Selected Financial Data

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

	(in thousands, except per share data)				
	2008	2007	2006	2005	2004
Consolidated Income Statement Data					
Revenue	$ 221,170	$ 197,538	$ 170,171	$ 152,759	$ 130,283
Income before minority interest and discontinued operations and gain on sale of other investments	$ 15,021	$ 14,255	$ 11,119	$ 9,871	$ 10,136
Gain on sale of real estate, land, and other investments	$ 556	$ 4,602	$ 3,293	$ 8,605	$ 662
Minority interest portion of operating partnership income	$ (3,524)	$ (3,217)	$ (1,892)	$ (1,727)	$ (2,161)
Income from continuing operations	$ 11,675	$ 11,026	$ 8,766	$ 7,768	$ 7,376
Income from discontinued operations	$ 413	$ 3,084	$ 2,801	$ 7,308	$ 2,064
Net income	$ 12,088	$ 14,110	$ 11,567	$ 15,076	$ 9,440
Consolidated Balance Sheet Data					
Total real estate investments	$ 1,456,178	$ 1,316,534	$ 1,126,400	$ 1,067,345	$ 991,923
Total assets	$ 1,618,026	$ 1,435,389	$ 1,207,315	$ 1,151,158	$ 1,076,317
Mortgages payable	$ 1,063,858	$ 951,139	$ 765,890	$ 708,558	$ 633,124
Shareholders’ equity	$ 345,006	$ 284,969	$ 289,560	$ 295,172	$ 278,629
Consolidated Per Common Share Data (basic and diluted)					
Income from continuing operations	$ .17	$ .18	$ .14	$ .13	$ .19
Income from discontinued operations	$ .01	$ .06	$ .06	$ .17	$ .05
Net income	$ .18	$ .24	$ .20	$ .30	$ .24
Distributions	$ .67	$ .66	$ .65	$ .65	$ .64

CALENDAR YEAR	2007	2006	2005	2004	2003
Tax status of distributions					
Capital gain	1.49%	1.22%	16.05%	0.00%	3.88%
Ordinary income	51.69%	42.01%	41.48%	44.65%	58.45%
Return of capital	46.82%	56.77%	42.47%	55.35%	37.67%

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

The following information is provided in connection with, and should be read in conjunction with, the consolidated financial statements included in this Annual Report on Form 10-K. We operate on a fiscal year ending on April 30. The following discussion and analysis is for the fiscal year ended April 30, 2008.

Overview

We are a self-advised equity real estate investment trust engaged in owning and operating income-producing real properties. Our investments include multi-family residential properties and commercial properties located primarily in the upper Midwest states of Minnesota and North Dakota. Our properties are diversified in property type and location. As of April 30, 2008, our real estate portfolio consisted of 72 multi-family residential properties containing 9,500 apartment units and having a total real estate investment amount net of accumulated depreciation of $408.7 million, and 163 commercial properties containing approximately 11.5 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $1.0 billion. Our commercial properties consist of:

- 65 office properties containing approximately 4.9 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $498.6 million;

- 48 medical properties (including senior housing) containing approximately 2.3 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $327.5 million;

- 17 industrial properties containing approximately 2.8 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $93.5 million; and

- 33 retail properties containing approximately 1.5 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $100.5 million.

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

The uncertainty and volatility in the economy and credit markets during fiscal year 2008 restrained demand for commercial office, retail and industrial space throughout our portfolio. While we expect our medical and multi-family segments show increased demand, we currently see no growing demand for commercial office, retail or industrial space in IRET's markets. We expect continuing deterioration in the economy to increase credit stresses on our tenants through at least the first and second quarters of our current fiscal year (2009), which we expect will lead to moderate increases for us in past due accounts and vacancies.

Despite these market uncertainties, and a tightening in credit standards by lenders during the latter half of fiscal year 2008 in particular, IRET during fiscal year 2008 acquired eight senior housing facilities, seven medical office properties, four office/warehouse properties, three commercial office properties and one multi-family residential complex for purchase prices totaling $148.5 million, excluding transaction costs, and completed construction of an additional multi-family residential property for a cost of $6.2 million. During fiscal year 2008, the Company sold two properties and two buildings of an apartment community for an aggregate sale price of $1.4 million. Additionally, during fiscal year 2008 IRET completed a public offering of 6.9 million common shares for net proceeds of approximately $66.4 million.

Total revenues of IRET Properties, our operating partnership, increased by $23.7 million to $221.2 million in fiscal year 2008, compared to $197.5 million in fiscal year 2007. This increase was primarily attributable to the addition of new real estate properties. Operating income increased in fiscal year 2008, to $12.3 million from $11.6 million in fiscal year 2007. We estimate that rent concessions offered to tenants during the twelve months ended April 30, 2008 lowered our operating revenues by approximately $3.0 million, compared to $5.0 million for fiscal year 2007. Expenses increased during fiscal year 2008 as well, with real estate taxes, maintenance, utilities and property management expense all increasing from year-earlier levels. While some of this increase was due to existing real estate, the majority was due to the addition of new real estate properties to our portfolio.

On an all-property basis, economic occupancy levels in our total commercial property segments decreased slightly to 93.0% in fiscal year 2008 from 93.2% in fiscal year 2007. Economic occupancy rates in our commercial office segment increased; the economic occupancy rates in our commercial medical, industrial and retail segments decreased. Economic occupancy in our multi-family residential segment decreased to 92.7% in fiscal year 2008 on an all-property basis, from 93.2% in fiscal year 2007.

Additional information and more detailed discussions of our fiscal year 2008 operating results are found in the following sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies

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

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

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets (including land, buildings and personal property), which is determined by valuing the property as if it were vacant, and considers whether there were significant intangible assets acquired (for example, above-and below-market leases, the value of acquired in-place leases, and tenant relationships, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141) and acquired liabilities, and allocates the purchase price based on these assessments. The as-if-vacant value is allocated to land, buildings, and personal property based on management's determination of the relative fair value of these assets. The estimated fair value of the property is the amount that would be recoverable upon the disposition of the property. Techniques used to estimate fair value include discounted cash flow analysis and reference to recent sales of comparable properties. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. Land value is assigned based on the purchase price if land is acquired separately, or based on estimated market value if acquired in a merger or in a portfolio acquisition.

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

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

Property sales or dispositions are recorded when title transfers and sufficient consideration is received by the Company and the Company has no significant continuing involvement with the property sold. The Company's properties are reviewed for impairment if events or circumstances change indicating that the carrying amount of the assets may not be recoverable. This review requires management to exercise judgment, including making estimates about the future performance of the properties being reviewed. If the Company incorrectly estimates the values at acquisition or the undiscounted cash flows, initial allocations of purchase price and future impairment charges may be different. The impact of the Company's estimates in connection with acquisitions and future impairment analysis could be material to the Company's financial statements.

Allowance for Doubtful Accounts. The Company periodically evaluates the collectibility of amounts due from tenants and maintains an allowance for doubtful accounts (approximately \$261,000 as of April 30, 2008) for estimated losses resulting from the inability of tenants to make required payments under their respective lease agreements. The Company also maintains an allowance for receivables arising from the straight-lining of rents (approximately \$992,000 as of April 30, 2008) and from mortgage loans (approximately \$11,000 as of April 30, 2008). The straight-lining of rents receivable arises from earnings recognized in excess of amounts currently due under lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. If estimates differ from actual results this would impact reported results.

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

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

- Percentage Rents - income arising from retail tenant leases which are contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized in accordance with SEC Staff Accounting Bulletin 104: Revenue Recognition, which states that this income is to be recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).

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

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

The Company's taxable income is affected by a number of factors, including, but not limited to, the following: that the Company's tenants perform their obligations under their leases with the Company; that the Company's tax and accounting positions do not change; and that the number of issued and outstanding shares of the Company's common stock remain relatively unchanged. These factors, which impact the Company's taxable income, are subject to change, and many are outside the control of the Company. If actual results vary, the Company's taxable income may change.

Recent Accounting Pronouncements

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

RESULTS OF OPERATIONS

Revenues

Total revenues for fiscal year 2008 were $221.2 million, compared to $197.5 million in fiscal year 2007 and $170.2 million in fiscal year 2006. Revenues during fiscal year 2008 were $23.7 million greater than revenues in fiscal year 2007 and revenues during fiscal year 2007 were $27.3 million greater than in fiscal year 2006.

For fiscal 2008, the increase in revenue of $23.7 million resulted from:

	(in thousands)
Rent from 29 properties acquired in fiscal year 2007 in excess of that received in 2007 from the same 29 properties	$ 14,256
Rent from 23 properties acquired in fiscal year 2008	5,759
Increase in rental income on existing properties	3,644
Decrease in lease termination fees	(27)
	$ 23,632

For fiscal 2007, the increase in revenue of $27.3 million resulted from:

	(in thousands)
Rent from 13 properties acquired in fiscal year 2006 in excess of that received in 2006 from the same 13 properties	$ 5,443
Rent from 29 properties acquired in fiscal year 2007	16,948
Increase in rental income on existing properties	5,609
Decrease in lease termination fees	(631)
	$ 27,369

As illustrated above, the substantial majority (84.7% in fiscal year 2008 and 81.8% in fiscal year 2007) of the increase in our gross revenue for fiscal years 2008 and 2007 resulted from the addition of new real estate properties to the IRET Properties' portfolio, with 15.4% and 20.5%, respectively, resulting from rental increases on existing properties. For the next 12 months, we expect acquisitions to continue to be the most significant factor in any increases in our revenues and ultimately our net income. However, domestic financial markets have recently been experiencing unusual volatility and uncertainty. Although this has occurred most visibly within the single-family mortgage lending sector of the credit market, liquidity has tightened in overall domestic financial markets, including the equity capital markets. Consequently, there is greater uncertainty regarding our ability to access the credit markets in order to attract financing on reasonable terms, and our ability to make acquisitions could be adversely affected. At the same time, though, these credit market dislocations may offer investment opportunities, as potential acquisitions may become more attractive due to moderating commercial real estate price increases. Additionally, joint venture and development opportunities may become more plentiful, due to an increase in the number of smaller developers who currently have constrained access to equity capital, and are seeking investment partners.

Gain on Sale of Real Estate

The Company realized a gain on sale of real estate, land and other investments for fiscal year 2008 of approximately $556,000. This compares to $4.6 million of gain on sale of real estate recognized in fiscal 2007 and $3.3 million recognized in fiscal 2006. A list of the properties sold during fiscal year 2008, showing sales price, depreciated cost plus sales costs and net gain is included in this Item 7 under the caption "Property Dispositions."

Net Operating Income

The following tables report segment financial information. We measure the performance of our segments based on net operating income ("NOI"), which we define as total revenues less property operating expenses and real estate taxes. We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of core operations that is unaffected by depreciation, amortization, financing and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, net income available for common shareholders or cash flow from operating activities as a measure of financial performance.

The following tables show revenues, operating expenses and NOI by reportable operating segment for fiscal years 2008, 2007 and 2006. For a reconciliation of net operating income of reportable segments to operating income as reported, see Note 11 of the Notes to Consolidated Financial Statements in this report.

The tables also show net operating income by reportable operating segment on a stabilized property and non-stabilized property basis. Stabilized properties are properties owned and in operation for the entirety of the periods being compared (including properties that were redeveloped or expanded during the periods being compared, with properties purchased or sold during the periods being compared excluded from the stabilized property category). This comparison allows the Company to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a stabilized property basis is useful to investors because it enables evaluation of how the Company's properties are performing year over year. Management uses this measure to assess whether or not it has been successful in increasing net operating income, renewing the leases of existing tenants, controlling operating costs and appropriately handling capital improvements.

(in thousands)

Year Ended April 30, 2008	Multi-Family Residential	Commercial-Office	Commercial-Medical	Commercial-Industrial	Commercial-Retail	Total
Real estate revenue	$ 72,827	$ 84,042	$ 38,412	$ 11,691	$ 14,198	$ 221,170
Real estate expenses						
Utilities	7,388	7,743	2,111	131	420	17,793
Maintenance	9,637	10,522	2,757	558	1,108	24,582
Real estate taxes	7,528	13,140	2,977	1,346	2,142	27,133
Insurance	1,162	901	257	135	169	2,624
Property management	8,922	3,900	1,654	359	438	15,273
Total expenses	$ 34,637	$ 36,206	$ 9,756	$ 2,529	$ 4,277	$ 87,405
Net operating income	$ 38,190	$ 47,836	$ 28,656	$ 9,162	$ 9,921	$ 133,765
Stabilized net operating income	35,310	33,916	26,260	6,172	9,580	111,238
Non-stabilized net operating income	2,880	13,920	2,396	2,990	341	22,527
Total net operating income	$ 38,190	$ 47,836	$ 28,656	$ 9,162	$ 9,921	$ 133,765

(in thousands)

Year Ended April 30, 2007	Multi-Family Residential	Commercial-Office	Commercial-Medical	Commercial-Industrial	Commercial-Retail	Total
Real estate revenue	$ 66,972	$ 73,603	$ 34,783	$ 8,091	$ 14,089	$ 197,538
Real estate expenses						
Utilities	6,666	6,286	1,771	57	377	15,157
Maintenance	8,619	9,243	2,611	218	1,000	21,691
Real estate taxes	7,294	10,831	2,322	755	2,079	23,281
Insurance	1,090	772	274	75	166	2,377
Property management	7,785	3,343	1,697	148	853	13,826
Total expenses	$ 31,454	$ 30,475	$ 8,675	$ 1,253	$ 4,475	$ 76,332
Net operating income	$ 35,518	$ 43,128	$ 26,108	$ 6,838	$ 9,614	$ 121,206
Stabilized net operating income	34,318	34,675	25,823	6,317	9,229	110,362
Non-stabilized net operating income	1,200	8,453	285	521	385	10,844
Total net operating income	$ 35,518	$ 43,128	$ 26,108	$ 6,838	$ 9,614	$ 121,206

(in thousands)

	Commercial-Office	Commercial-Medical	Commercial-Industrial	Commercial-Retail	Total

Year Ended April 30, 2006	Multi-Family Residential					
Real estate revenue	$ 61,669	$ 57,483	$ 31,670	$ 6,372	$ 12,977	$ 170,171
Real estate expenses						
Utilities	6,544	4,805	1,600	91	390	13,430
Maintenance	7,822	7,582	2,471	201	1,107	19,183
Real estate taxes	6,955	8,021	2,283	771	1,727	19,757
Insurance	1,394	705	298	81	179	2,657
Property management	6,987	2,488	1,662	108	541	11,786
Total expenses	$ 29,702	$ 23,601	$ 8,314	$ 1,252	$ 3,944	$ 66,813
Net operating income	$ 31,967	$ 33,882	$ 23,356	$ 5,120	$ 9,033	$ 103,358
Stabilized net operating income	31,859	33,412	19,101	5,120	9,033	98,525
Non-stabilized net operating income	108	470	4,255	0	0	4,833
Total net operating income	$ 31,967	$ 33,882	$ 23,356	$ 5,120	$ 9,033	$ 103,358

Changes in Expenses and Net Income

Operating income for fiscal year 2008 increased to $12.3 million from $11.6 million in fiscal year 2007, and from $9.9 million in fiscal year 2006. Our net income available to common shareholders for fiscal year 2008 was $9.7 million, compared to $11.7 million in fiscal year 2007 and $9.2 million in fiscal year 2006. On a per common share basis, net income was $.18 per common share in fiscal year 2008, compared to $.24 per common share in fiscal year 2007 and $.20 in fiscal year 2006.

Although operating income increased on an absolute basis from the year-earlier period, net income on a per share and unit basis declined, primarily due to dilution following the Company's October 2007 public offering of 6.9 million common shares, and due to the effect of a gain on sale included within discontinued operations in the twelve months ended April 30, 2007.

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

Changes in net income available to common shareholders for fiscal year 2008 resulted from:

		(in thousands)
An increase in net operating income primarily due to new acquisitions	$	12,559
An increase in interest income		151
An increase in minority interest of other partnership's income		110
An increase in gain on sale of other investments		80
These increases were offset by:		
An increase in depreciation/amortization expense related to real estate investments		(5,623)
An increase in interest expense primarily due to debt placed on new acquisitions		(5,015)
An increase in operating expenses, administrative, advisory & trustee services		(856)
An increase in amortization related to non-real estate investments		(394)
An increase in minority interest of operating partnership income		(307)
A decrease in income from discontinued operations, net		(2,671)
A decrease in non-operating income		(56)
Total decrease in fiscal 2008 net income available to common shareholders	$	(2,022)

Changes in net income available to common shareholders for fiscal year 2007 resulted from:

		(in thousands)
An increase in net operating income primarily due to new acquisitions	$	17,848
An increase in interest income		1,128
An increase in non-operating income		297
An increase in income from discontinued operations, net		283
A decrease in minority interest of other partnership's income		510
These increases were offset by:		
An increase in depreciation/amortization expense related to real estate investments		(7,525)
An increase in interest expense primarily due to debt placed on new acquisitions		(7,747)
An increase in minority interest of operating partnership income		(1,325)

An increase in operating expenses, administrative, advisory & trustee services		(528)
An increase in amortization related to non-real estate investments		(337)
A decrease in gain on sale of other investments		(61)
Total increase in fiscal 2007 net income available to common shareholders	$	2,543

Factors Impacting Net Income During Fiscal Year 2008 as Compared to Fiscal Year 2007

Economic occupancy rates in three of our five segments increased slightly compared to the year-earlier period, and real estate revenue increased in fiscal year 2008 compared to fiscal year 2007 in all of our reportable segments. Net income available to common shareholders decreased to $9.7 million in fiscal year 2008, compared to $11.7 million in fiscal year 2007. Revenue increases during fiscal year 2008 were offset somewhat by increases in maintenance, utilities, mortgage interest due to increased borrowing, real estate taxes, property management, insurance and amortization expense.

• Economic Occupancy. During fiscal year 2008, economic occupancy levels at our properties increased slightly over year-earlier levels in three of our five reportable segments, and declined in our commercial medical and retail segments. Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of scheduled rental revenues for the period. Percentage rents, tenant concessions, straightline adjustments and expense reimbursements are not considered in computing either actual revenues or scheduled rent revenues. Economic occupancy rates on a stabilized property basis for the fiscal year ended April 30, 2008 compared to the fiscal year ended April 30, 2007 are shown below:

	Fiscal Year Ended April 30,		
	2008	2007	% Change
Multi-Family Residential	93.3%	93.2%	0.1%
Commercial Office	91.0%	90.8%	0.2%
Commercial Medical	95.5%	96.7%	(1.2%)
Commercial Industrial	96.2%	94.8%	1.4%
Commercial Retail	87.1%	89.3%	(2.2%)

• Concessions. Our overall level of tenant concessions declined for the fiscal year ended April 30, 2008 compared to the year-earlier period. To maintain or increase physical occupancy levels at our properties, we may offer tenant incentives, generally in the form of lower or abated rents, which results in decreased revenues and income from operations at our properties. Rent concessions offered during the fiscal year ended April 30, 2008 lowered our operating revenues by approximately $3.0 million, as compared to an approximately $5.0 million reduction in operating revenues attributable to rent concessions offered in fiscal year 2007.

The following table shows the approximate reduction in our operating revenues due to rent concessions, by segment, for the fiscal years ended April 30, 2008 and 2007:

	(in thousands) Fiscal Year Ended April 30,		
	2008	2007	%Change
Multi-Family Residential	$ 2,254	$ 3,147	(28.4%)
Commercial Office	692	1,769	(60.9%)
Commercial Medical	34	70	(51.4%)
Commercial Industrial	0	14	(100.0%)
Commercial Retail	31	22	40.9%
Total	$ 3,011	$ 5,022	(40.0%)

• Increased Maintenance Expense. Maintenance expenses totaled $24.6 million in fiscal year 2008, compared to $21.7 million in fiscal year 2007. Maintenance expenses at properties newly acquired in fiscal years 2008 and 2007 added $2.3 million to the maintenance expense category during fiscal year 2008, while maintenance expenses at existing properties increased by approximately $568,000 primarily for snow removal and janitorial contract services, resulting in a net increase of $2.9 million or 13.3% in maintenance expenses in fiscal year 2008 compared to fiscal year 2007. Under the terms of most of our commercial leases, the full cost of maintenance is paid by the tenant as additional rent. For our noncommercial real estate properties, any increase in our maintenance costs must be collected from tenants in the form of general rent increases.

Maintenance expenses by reportable segment for the fiscal years ended April 30, 2008 and 2007 are as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2008	$ 9,637	$ 10,522	$ 2,757	$ 558	$ 1,108	$ 24,582
2007	$ 8,619	$ 9,243	$ 2,611	$ 218	$ 1,000	$ 21,691
% change (2008 vs. 2007)	11.8%	13.8%	5.6%	156.0%	10.8%	13.3%

Increased Utility Expense. Utility expense totaled $17.8 million in fiscal year 2008, compared to $15.2 million in fiscal year 2007. Utility expenses at properties newly acquired in fiscal years 2008 and 2007 added $1.5 million to the utility expense category during fiscal year 2008, while utility expenses at existing properties increased by $1.1 million, primarily due to unusually warm weather in certain of IRET's markets, resulting in increased cooling costs, for a total increase of $2.6 million or 17.4% in utility expenses in fiscal year 2008 compared to fiscal year 2007.

Utility expenses by reportable segment for the fiscal years ended April 30, 2008 and 2007 are as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2008	$ 7,388	$ 7,743	$ 2,111	$ 131	$ 420	$ 17,793
2007	$ 6,666	$ 6,286	$ 1,771	$ 57	$ 377	$ 15,157
% change (2008 vs. 2007)	10.8%	23.2%	19.2%	129.8%	11.4%	17.4%

Increased Mortgage Interest Expense. Our mortgage interest expense increased approximately $6.1 million, or 10.5%, to approximately $62.7 million during fiscal year 2008, compared to $56.6 million in fiscal year 2007. Mortgage interest expense for properties newly acquired in fiscal years 2008 and 2007 added $6.1 million to our total mortgage interest expense in fiscal year 2008, while mortgage interest expense on existing properties increased $24,000. Our overall weighted average interest rate on all outstanding mortgage debt was 6.37% as of April 30, 2008, compared to 6.43% as of April 30, 2007. Our mortgage debt increased approximately $112.8 million, or 11.9%, to approximately $1.1 billion as of April 30, 2008, compared to $951.1 million on April 30, 2007.

Mortgage interest expense by reportable segment for the fiscal years ended April 30, 2008 and 2007 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2008	$ 19,602	$ 23,131	$ 12,351	$ 3,481	$ 4,137	$ 62,702
2007	$ 18,723	$ 20,157	$ 11,291	$ 2,325	$ 4,070	$ 56,566
% change (2008 vs. 2007)	4.7%	14.8%	9.4%	49.7%	1.6%	10.8%

Increased Amortization Expense. In accordance with SFAS No. 141, Business Combinations, which establishes standards for valuing in-place leases in purchase transactions, the Company allocates a portion of the purchase price paid for properties to in-place lease intangible assets. The amortization period of these intangible assets is the term of the lease, rather than the estimated life of the buildings and improvements. The Company accordingly initially records additional amortization expense due to this shorter amortization period, which has the effect in the short term of decreasing the Company's net income available to common shareholders, as computed in accordance with GAAP. Amortization expense related to in-places leases totaled $10.0 million in fiscal year 2008, compared to $9.2 million in fiscal year 2007. The increase in amortization expense in fiscal year 2008 compared to fiscal year 2007 was primarily due to property acquisitions completed by the Company in fiscal year 2008.

- Increased Real Estate Tax Expense. Real estate taxes on properties newly acquired in fiscal years 2008 and 2007 added $3.1 million to real estate tax expense, while real estate taxes on existing properties increased by approximately $738,000, for a total increase of $3.8 million or 16.5% in real estate tax expense in fiscal year 2008 compared to fiscal year 2007, from $23.3 million to $27.1 million.

Real estate tax expense by reportable segment for the fiscal years ended April 30, 2008 and 2007 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2008	$ 7,528	$ 13,140	$ 2,977	$ 1,346	$ 2,142	$ 27,133
2007	$ 7,294	$ 10,831	$ 2,322	$ 755	$ 2,079	$ 23,281
% change (2008 vs. 2007)	3.2%	21.3%	28.2%	78.2%	3.0%	16.5%

- Increased Insurance Expense. Insurance expense increased in fiscal year 2008 compared to fiscal year 2007, from $2.4 million to $2.6 million, an increase of approximately 10.4%. Insurance expense at properties newly-acquired in fiscal years 2008 and 2007 added approximately $240,000 to insurance expense, while insurance expense at existing properties increased by approximately $7,000, for a net increase of approximately $247,000 in insurance expense in fiscal year 2008 compared to fiscal year 2007.

Insurance expense by reportable segment for the fiscal years ended April 30, 2008 and 2007 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2008	$ 1,162	$ 901	$ 257	$ 135	$ 169	$ 2,624
2007	$ 1,090	$ 772	$ 274	$ 75	$ 166	$ 2,377
% change (2008 vs. 2007)	6.6%	16.7%	(6.2%)	80.0%	1.8%	10.4%

- Increased Property Management Expense. Property management expense increased in fiscal year 2008 compared to fiscal year 2007, from $13.8 million to $15.3 million, an increase of $1.5 million or approximately 10.5%. Of this increase, approximately $240,000 million is attributable to existing properties, while $1.2 million is due to properties acquired in fiscal years 2008 and 2007. The increase at existing properties is primarily due to an increase in property revenue resulting in higher management fees payable (management fees are generally a percentage of rents received).

Property management expense by reportable segment for the fiscal years ended April 30, 2008 and 2007 is as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2008	$ 8,922	$ 3,900	$ 1,654	$ 359	$ 438	$ 15,273
2007	$ 7,785	$ 3,343	$ 1,697	$ 148	$ 853	$ 13,826
% change (2008 vs. 2007)	14.6%	16.7%	(2.5%)	142.6%	(48.7%)	10.5%

Factors Impacting Net Income During Fiscal Year 2007 as Compared to Fiscal Year 2006

Our results during the fiscal year ended April 30, 2007, compared to the fiscal year ended April 30, 2006, showed continued overall improvement in occupancy levels and rental revenues. Economic occupancy rates in four of our five segments increased compared to the year-earlier period, and real estate revenue increased in fiscal year 2007 compared to fiscal year 2006 in all of our reportable segments. Net income available to common shareholders increased to $11.7 million in fiscal year 2007, compared to $9.2 million in fiscal year 2006. Revenue increases during fiscal year 2007 were offset somewhat by increases in maintenance, utilities, mortgage interest due to increased borrowing, real estate taxes, property management and amortization expense. Insurance expense decreased in fiscal year 2007.

- Economic Occupancy. During fiscal year 2007, economic occupancy levels at our properties improved over year-earlier levels in each of our reportable segments other than commercial office. Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of scheduled rental revenues for the period. Percentage rents, tenant concessions, straightline adjustments and expense reimbursements are not considered in computing either actual revenues or scheduled rent revenues.

Economic occupancy rates on a stabilized property basis for the fiscal year ended April 30, 2007 compared to the fiscal year ended April 30, 2006 are shown below:

	Fiscal Year Ended April 30,		
	2007	2006	% Change
Multi-Family Residential	93.2%	91.7%	1.5%
Commercial Office	90.5%	92.6%	(2.1%)
Commercial Medical	96.8%	95.3%	1.5%
Commercial Industrial	94.8%	87.2%	7.6%
Commercial Retail	89.3%	89.2%	0.1%

During fiscal year 2007, results continued to improve at our multi-family residential properties. While we had limited success in increasing scheduled rental rates at our apartment communities, the construction of competing apartment units, single-family homes and condominium units abated in most of our markets. Combined with positive absorption of previously-constructed housing, this reduction in construction of competing product allowed us to reduce vacancy and tenant concessions in our multi-family residential segment. We also saw during fiscal year 2007 an accelerating demand for industrial space, although as in past periods rental rates in this segment continued to remain at levels lower than in prior fiscal years. We did not see in fiscal year 2007 any consistent sustained demand for commercial office space or for existing smaller retail developments, which comprise a majority of IRET's retail portfolio.

- Concessions. Our overall level of tenant concessions declined slightly for the fiscal year ended April 30, 2007 compared to the year-earlier period. To maintain or increase physical occupancy levels at our properties, we may offer tenant incentives, generally in the form of lower or abated rents, which results in decreased revenues and income from operations at our properties. Rent concessions offered during the fiscal year ended April 30, 2007 lowered our operating revenues by approximately $5.0 million, as compared to an approximately $5.2 million reduction in operating revenues attributable to rent concessions offered in fiscal year 2006.

The following table shows the approximate reduction in our operating revenues due to rent concessions, by segment, for the fiscal years ended April 30, 2007 and 2006:

	(in thousands) Fiscal Year Ended April 30,		
	2007	2006	%Change
Multi-Family Residential	$ 3,147	$ 3,848	(18.2%)
Commercial Office	1,769	1,213	45.8%
Commercial Medical	70	74	(5.4%)
Commercial Industrial	14	53	(73.6%)
Commercial Retail	22	23	(4.3%)
Total	$ 5,022	$ 5,211	(3.6%)

- Increased Maintenance Expense. Maintenance expenses totaled $21.7 million in fiscal year 2007, compared to $19.2 million in fiscal year 2006. Maintenance expenses at properties newly acquired in fiscal years 2007 and 2006 added $2.5 million to the maintenance expense category during fiscal year 2007, while maintenance expenses at existing properties decreased by approximately $31,000, resulting in a net increase of $2.5 million or 13.1% in maintenance expenses in fiscal year 2007 compared to fiscal year 2006. Under the terms of most of our commercial leases, the full cost of maintenance is paid by the tenant as additional rent. For our noncommercial real estate properties, any increase in our maintenance costs must be collected from tenants in the form of general rent increases.

Maintenance expenses by reportable segment for the fiscal years ended April 30, 2007 and 2006 were as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2007	$ 8,619	$ 9,243	$ 2,611	$ 218	$ 1,000	$ 21,691
2006	$ 7,822	$ 7,582	$ 2,471	$ 201	$ 1,107	$ 19,183
% change (2007 vs. 2006)	10.2%	21.9%	5.7%	8.5%	(9.7%)	13.1%

Increased Utility Expense. Utility expense totaled $15.2 million in fiscal year 2007, compared to $13.4 million in fiscal year 2006. Utility expenses at properties newly acquired in fiscal years 2007 and 2006 added $1.6 million to the utility expense category during fiscal year 2007, while utility expenses at existing properties increased by approximately $88,000, for a total increase of $1.7 million or 12.9% in utility expenses in fiscal year 2007 compared to fiscal year 2006.

Utility expenses by reportable segment for the fiscal years ended April 30, 2007 and 2006 were as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2007	$ 6,666	$ 6,286	$ 1,771	$ 57	$ 377	$ 15,157
2006	$ 6,544	$ 4,805	$ 1,600	$ 91	$ 390	$ 13,430
% change (2007 vs. 2006)	1.9%	30.8%	10.7%	(37.4%)	(3.3%)	12.9%

Increased Mortgage Interest Expense. Our mortgage interest expense increased approximately $7.1 million, or 14.3%, to approximately $56.6 million during fiscal year 2007, compared to $49.5 million in fiscal year 2006. Mortgage interest expense for properties newly acquired in fiscal years 2007 and 2006 added $7.7 million to our total mortgage interest expense in fiscal year 2007, while mortgage interest expense on existing properties decreased approximately $627,000. Our overall weighted average interest rate on all outstanding mortgage debt was 6.43% as of April 30, 2007, compared to 6.63% as of April 30, 2006. Our mortgage debt increased approximately $185.2 million, or 24.2%, to approximately $951.1 million as of April 30, 2007, compared to $765.9 million on April 30, 2006.

Mortgage interest expense by reportable segment for the fiscal years ended April 30, 2007 and 2006 were as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2007	$ 18,723	$ 20,157	$ 11,291	$ 2,325	$ 4,070	$ 56,566
2006	$ 17,919	$ 14,774	$ 10,534	$ 2,240	$ 4,029	$ 49,496
% change (2007 vs. 2006)	4.5%	36.4%	7.2%	3.8%	1.0%	14.3%

• Increased Amortization Expense. In accordance with SFAS No. 141, Business Combinations, which establishes standards for valuing in-place leases in purchase transactions, the Company allocates a portion of the purchase price paid for properties to in-place lease intangible assets. The amortization period of these intangible assets is the term of the lease, rather than the estimated life of the buildings and improvements. The Company accordingly initially records additional amortization expense due to this shorter amortization period, which has the effect in the short term of decreasing the Company’s net income available to common shareholders, as computed in accordance with GAAP. Amortization expense related to in-places leases totaled $9.2 million in fiscal year 2007, compared to $6.7 million in fiscal year 2006. The increase in amortization expense in fiscal year 2007 compared to fiscal year 2006 was primarily due to a significant acquisition completed by the Company in the second quarter of fiscal year 2007, of a portfolio of properties from Magnum Resources, Inc.

• Increased Real Estate Tax Expense. Real estate taxes on properties newly acquired in fiscal years 2007 and 2006 added $2.9 million to real estate tax expense, while real estate taxes on existing properties increased by approximately $638,000, for a total increase of $3.5 million or 17.8% in real estate tax expense in fiscal year 2007 compared to fiscal year 2006, from $19.8 million to $23.3 million.

Real estate tax expense by reportable segment for the fiscal years ended April 30, 2007 and 2006 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2007	$ 7,294	$ 10,831	$ 2,322	$ 755	$ 2,079	$ 23,281
2006	$ 6,955	$ 8,021	$ 2,283	$ 771	$ 1,727	$ 19,757
% change (2007 vs. 2006)	4.9%	35.0%	1.7%	(2.1%)	20.4%	17.8%

• Decreased Insurance Expense. Insurance expense decreased in fiscal year 2007 compared to fiscal year 2006, from $2.7 million to $2.4 million, a decrease of approximately 10.5%. Insurance expense at properties newly-acquired in fiscal years 2007 and 2006 totaled approximately $208,000, while insurance expense at existing properties decreased approximately $488,000, for a net decrease of approximately $280,000 in insurance expense in fiscal year 2007 compared to fiscal year 2006.

Insurance expense by reportable segment for the fiscal years ended April 30, 2007 and 2006 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2007	$ 1,090	$ 772	$ 274	$ 75	$ 166	$ 2,377
2006	$ 1,394	$ 705	$ 298	$ 81	$ 179	$ 2,657
% change (2007 vs. 2006)	(21.8%)	9.5%	(8.1%)	(7.4%)	(7.3%)	(10.5%)

• Increased Property Management Expense. Property management expense increased in fiscal year 2007 compared to fiscal year 2006, from $11.8 million to $13.8 million, an increase of $2.0 million or approximately 17.3%. Of this increase, $1.2 million was attributable to existing properties, while approximately $829,000 was due to properties acquired in fiscal years 2007 and 2006. The increase at existing properties was primarily due to an increase in property revenue resulting in higher management fees payable (management fees are generally a percentage of rents received).

Property management expense by reportable segment for the fiscal years ended April 30, 2007 and 2006 was as follows:

	(in thousands)					
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total
2007	$ 7,785	$ 3,343	$ 1,697	$ 148	$ 853	$ 13,826

2006	$ 6,987	$ 2,488	$ 1,662	$ 108	$ 541	$ 11,786
% change (2007 vs. 2006)	11.4%	34.4%	2.1%	37.0%	57.7%	17.3%

Comparison of Results from Commercial and Residential Properties

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

Fiscal Years Ended April 30	(in thousands) 2008	%	(in thousands) 2007	%	(in thousands) 2006	%
Real Estate Investments – (cost)						
Multi-Family Residential	$ 510,697	31.0%	$ 489,644	32.9%	$ 452,251	35.6%
Commercial Office	556,712	33.8%	536,431	36.0%	383,280	30.2%
Commercial Medical	359,986	21.8%	274,779	18.4%	263,300	20.7%
Commercial Industrial	104,060	6.3%	75,257	5.1%	59,583	4.7%
Commercial Retail	116,804	7.1%	113,176	7.6%	111,009	8.8%
Total	$ 1,648,259	100%	$ 1,489,287	100.0%	$ 1,269,423	100.0%
Net Operating Income						
Multi-Family Residential	$ 38,190	28.6%	$ 35,518	29.4%	$ 31,967	30.9%
Commercial Office	47,836	35.8%	43,128	35.6%	33,882	32.8%
Commercial Medical	28,656	21.4%	26,108	21.5%	23,356	22.6%
Commercial Industrial	9,162	6.8%	6,838	5.6%	5,120	5.0%
Commercial Retail	9,921	7.4%	9,614	7.9%	9,033	8.7%
Total	$ 133,765	100.0%	$ 121,206	100.0%	$ 103,358	100.0%

Analysis of Lease Expirations and Credit Risk

The following table shows the annual lease expiration percentages and base rent of expiring leases for the total commercial segments properties owned by us as of April 30, 2008, for fiscal years 2009 through 2018, and the leases that will expire during fiscal year 2019 and beyond. Our multi-family residential properties are excluded from this table, since residential leases are generally for a one-year term.

Fiscal Year of Lease Expiration	Square Footage of Expiring Leases	Percentage of Total Commercial Segments Leased Square Footage	Annualized Base Rent of Expiring Leases at Expiration	Percentage of Total Commercial Segments Annualized Base Rent
2009	826,376	8.3%	$ 7,148,267	7.2%
2010	1,259,555	12.7%	11,944,132	12.0%
2011	2,082,339	21.0%	14,931,308	14.9%
2012	1,269,275	12.8%	13,252,768	13.3%
2013	949,815	9.6%	8,844,907	8.9%
2014	538,851	5.4%	7,688,184	7.7%
2015	287,271	2.9%	2,639,619	2.6%
2016	662,390	6.7%	4,618,462	4.6%
2017	428,250	4.3%	6,282,978	6.3%
2018	165,426	1.7%	2,910,161	2.9%
Thereafter	1,445,997	14.6%	19,594,066	19.6%
Totals	9,915,545	100.0%	$ 99,854,852	100.0%

The following table lists our top ten commercial tenants on April 30, 2008, for the total commercial segments properties owned by us as of April 30, 2008, based upon minimum rents in place as of April 30, 2008:

Lessee	(in thousands) % of Total Commercial Segments Minimum Rents as of April 30, 2008
Edgewood Vista/Sunwest Management, Inc.	9.4%
St. Lukes Hospital of Duluth, Inc.	3.5%
Fairview Health	2.3%
Applied Underwriters	2.2%
Best Buy Co., Inc. (NYSE: BBY)	2.0%
UGS Corp.	1.7%
HealthEast Care System	1.6%
Microsoft (Nasdaq: MSFT)	1.5%
Smurfit - Stone Container (Nasdaq: SSCC)	1.5%
Allina Health System	1.4%
All Others	72.9%
Total Monthly Rent as of April 30, 2008	100.0%

Property Acquisitions

IRET Properties paid approximately $154.7 million for real estate properties added to its portfolio during fiscal year 2008, compared to $220.7 million in fiscal year 2007. The fiscal year 2008 and 2007 additions are detailed below.

Fiscal 2008 (May 1, 2007 to April 30, 2008)

Acquisitions		(in thousands) Acquisition Cost
Multi-Family Residential		
96 – unit Greenfield Apartments – Omaha, NE	$	4,700
67 – unit Cottonwood Lake IV – Bismarck, ND*		6,191
		10,891
Commercial Property – Office		
20,528 sq. ft. Plymouth 5095 Nathan Lane Office Building – Plymouth, MN		2,000
78,560 sq. ft. 610 Business Center IV – Brooklyn Park, MN		6,500
64,607 sq. ft. Intertech Office Building – Fenton, MO		7,000
		15,500
Commercial Property—Medical (including Senior Housing)		
18,502 sq. ft. Barry Pointe Medical Building – Kansas City, MO		3,200
11,800 sq. ft./28 beds Edgewood Vista Billings—Billings, MT		4,250
18,488 sq. ft./36 beds Edgewood Vista East Grand Forks—East Grand Forks, MN		4,990
11,800 sq. ft./28 beds Edgewood Vista Sioux Falls—Sioux Falls, SD		3,350
55,478 sq. ft. Edina 6405 France Medical—Edina, MN**		13,615

70,934 sq. ft. Edina 6363 France Medical—Edina, MN**		13,360
57,212 sq. ft. Minneapolis 701 25th Ave Medical (Riverside)—Minneapolis, MN**		8,000
53,466 sq. ft. Burnsville 303 Nicollet Medical (Ridgeview)—Burnsville, MN		8,800
36,199 sq. ft. Burnsville 305 Nicollet Medical (Ridgeview South)—Burnsville, MN		5,900
17,640 sq. ft. Eagan 1440 Duckwood Medical—Eagan, MN		2,325
5,192 sq. ft./13 beds Edgewood Vista Belgrade—Belgrade, MT		2,100
5,194 sq. ft./13 beds Edgewood Vista Columbus—Columbus, NE		1,450
168,801 sq. ft./185 beds Edgewood Vista Fargo—Fargo, ND		25,850
5,185 sq. ft./13 beds Edgewood Vista Grand Island—Grand Island, NE		1,400
5,135 sq. ft./13 beds Edgewood Vista Norfolk—Norfolk, NE		1,300
		99,890
Commercial Property – Industrial		
50,400 sq. ft. Cedar Lake Business Center – St. Louis Park, MN		4,040
528,353 sq. ft. Urbandale Warehouse Building – Urbandale, IA		14,000
69,600 sq. ft. Woodbury 1865 Woodlane – Woodbury, MN		4,000
198,600 sq. ft. Eagan 2785 & 2795 Highway 55—Eagan, MN		6,400
		28,440
Total Property Acquisitions	$	154,721

* Development property placed in service January 2, 2008.

** Acquisition of leasehold interests only (air rights lease and ground leases)

Fiscal 2007 (May 1, 2006 to April 30, 2007)

Fiscal 2007 Acquisitions		(in thousands) Acquisition Cost
Multi-Family Residential		
192-unit Arbors Apartments – Sioux City, NE	$	7,000
154-unit Quarry Ridge Apartments – Rochester, MN		14,570
389-unit St. Cloud Apartments – St. Cloud, MN		7,800
120-unit Indian Hills Apartments – Sioux City, IA		3,120
72-unit Rum River Apartments – Isanti, MN		5,650
		38,140
Commercial Property – Office		
143,061 sq. ft. Pacific Hills – Omaha, NE		16,502
141,724 sq. ft. Corporate Center West – Omaha, NE		21,497
94,832 sq. ft. Farnam Executive Center – Omaha, NE		12,853
84,475 sq. ft. Miracle Hills One – Omaha, NE		11,950
60,942 sq. ft. Woodlands Plaza IV – Maryland Heights, MO		5,840
122,567 sq. ft. Riverport – Maryland Heights, MO		21,906
90,315 sq. ft. Timberlands – Leawood, KS		14,546
138,825 sq. ft. Flagship – Eden Prairie, MN		26,094
59,827 sq. ft. Gateway Corporate Center – Woodbury, MN		9,612
71,430 sq. ft. Highlands Ranch I – Highlands Ranch, CO		12,250
		153,050
Commercial Property – Medical (including senior housing)		
26,336 sq. ft. Fox River Cottages – Grand Chute, WI		3,200
10,796 sq. ft. St. Michael Clinic – St. Michael, MN*		2,587
		5,787
Commercial Property – Industrial		
100,850 sq. ft. Bloomington 2000 – Bloomington, MN		6,750
172,057 sq. ft. Roseville 2929 – Roseville, MN		10,300
		17,050
Commercial Property – Retail		
16,921 sq. ft. Dakota West Plaza – Minot, ND		625
14,820 sq. ft. Weston Walgreens – Weston, WI**		2,144
		2,769
Unimproved Land		
Monticello Unimproved Parcel (City) – Monticello, MN		5
St. Michaels Unimproved – St. Michael, MN		320
Monticello Unimproved Parcel (Other) – Monticello, MN		75
Weston Unimproved – Weston, WI		800
Quarry Ridge Unimproved – Rochester, MN		930
Minot Prairie Green – Minot, ND		1,750
		3,880
Total Fiscal 2007 Property Acquisitions	$	220,676

* Development property placed in service March 1, 2007.

** Development property placed in service May 1, 2006.

In addition to the above property acquisitions, in the fourth quarter of fiscal year 2007 IRET Properties issued limited partnership units with a value at issuance of approximately $5.25 million to purchase an approximately 29% ownership interest in a limited liability company in which IRET already owned a 71% interest. This entity owns the Southdale Medical Building in Edina, Minnesota, and with its acquisition of this remaining ownership interest, IRET now is the sole owner of this property.

Property Dispositions

During fiscal year 2008, IRET Properties disposed of two properties and two buildings of an apartment community for an aggregate sale price of $1.4 million, compared to 14 properties and two unimproved parcels sold for an aggregate sale price of $22.5 million in total during fiscal year 2007. Real estate assets sold by IRET during fiscal years 2008 and 2007 were as follows:

Fiscal 2008 Dispositions	Sales Price	(in thousands) Book Value and Sales Cost	Gain/Loss
Multi-Family Residential			
405 Grant Ave (Lonetree) Apartments – Harvey, ND	$ 185	$ 184	$ 1
Sweetwater Apartments – Devils Lake, ND	940	430	510
	1,125	614	511
Commercial Property – Office			
Minnetonka Office Buildings – Minnetonka, MN	310	307	3
	310	307	3
Total Fiscal 2008 Property Dispositions	$ 1,435	$ 921	$ 514

Fiscal 2007 Dispositions	Sales Price	(in thousands) Book Value and Sales Cost	Gain/Loss
Multi-Family Residential			
60-unit Clearwater Apartments – Boise, ID	$ 4,000	$ 3,413	$ 587
122-unit Park East Apartments – Fargo, ND	6,188	4,476	1,712
	10,188	7,889	2,299
Commercial Property – Office			
5,640 sq. ft. Greenwood Office – Greenwood, MN	1,500	961	539
	1,500	961	539
Commercial Property – Medical (senior housing)			
29,408 sq. ft. Wedgewood Sweetwater – Lithia Springs, GA	4,550	3,836	714
	4,550	3,836	714
Commercial Property – Retail			
4,560 sq. ft. Moundsview Bakery – Mounds View, MN	380	287	93
3,571 sq. ft. Howard Lake C-Store – Winsted, MN	550	374	176
6,225 sq. ft. Wilmar Sam Goody – Wilmar, MN	450	409	41
3,571 sq. ft. Winsted C-Store – Winsted, MN	190	214	(24)
7,700 sq. ft. Buffalo Strip Center – Buffalo, MN	800	667	133
4,800 sq. ft. Glencoe C-Store – Glencoe, MN	350	344	6
5,216 sq. ft. Long Prairie C-Store – Long Prairie, MN	302	304	(2)
5,600 sq. ft. Faribault Checkers Auto – Faribault, MN	525	337	188
4,800 sq. ft. Paynesville C-Store – Paynesville, MN	149	150	(1)
6,800 sq. ft. Prior Lake Strip Center I – Prior Lake, MN	1,105	993	112
4,200 sq. ft. Prior Lake Strip Center III – Prior Lake, MN	545	465	80
	5,346	4,544	802
Unimproved Land			
IGH Land – Inver Grove Heights, MN	900	613	287
Long Prairie Unimproved Land – Long Prairie, MN	59	60	(1)
	959	673	286

Total Fiscal 2007 Property Dispositions	$ 22,543	$ 17,903	$ 4,640

Funds From Operations

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

IRET management considers that FFO, by excluding depreciation costs, the gains or losses from the sale of operating real estate properties and extraordinary items as defined by GAAP, is useful to investors in providing an additional perspective on IRET's operating results. Historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation, that the value of real estate assets decreases predictably over time. However, real estate asset values have historically risen or fallen with market conditions. NAREIT's definition of FFO, by excluding depreciation costs, reflects the fact that 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, 2008 increased to $64.2 million, compared to $57.0 million and $46.7 million for the fiscal years ended April 30, 2007 and 2006, respectively.

Reconciliation of Net Income to Funds From Operations

For the years ended April 30, 2008, 2007 and 2006:

(in thousands, except per share and unit amounts)

Fiscal Years Ended April 30,	2008			2007			2006		
	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	$ 12,088		$	$ 14,110		$	$ 11,567		$
Less dividends to preferred shareholders	(2,372)			(2,372)			(2,372)		
Net income available to common shareholders	9,716	53,060	0.18	11,738	47,672	0.24	9,195	45,717	0.20
Adjustments:									

Minority interest in earnings of unitholders	3,677	20,417		4,299	17,017		2,705	13,329	
Depreciation and amortization(1)	51,303			45,559			38,104		
Gains on depreciable property sales	(514)			(4,602)			(3,293)		
Funds from operations applicable to common shares and Units(4)	$ 64,182	73,477	$ 0.87	$ 56,994	64,689	$ 0.88	$ 46,711	59,046	$ 0.79

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

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

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