IRET

INVESTORS REAL ESTATE TRUST



Third Quarter Fiscal 2015 Earnings Call

March 13, 2015

9:00 A.M. CT

Certain statements in this presentation are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from expected results. Such risks, uncertainties and other factors include, but are not limited to changes in general and local economic and real estate market conditions, the timing and pricing of lease transactions, the availability and cost of capital, fluctuations in interest rates, tenants’ financial conditions, level of competition, the effect of government regulation, the impact of newly adopted accounting principles, and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2014 Form 10-K and subsequent Quarterly Reports on Form 10-Q. We assume no obligations to update or supplement forward-looking statements that become untrue because of subsequent events.

Certain of the financial measures appearing in this slide presentation may be non-GAAP financial measures. Management believes that these non-GAAP financial measures provide additional appropriate measures of our operating results. While we believe these non-GAAP financial measures are useful in evaluating our company, the information should be considered supplemental in nature and not a substitute for information prepared in accordance with GAAP. Supplemental financial disclosures for any non-GAAP financial measures in this presentation, including the most directly comparable GAAP measure and associated reconciliation, are provided in our most recent quarterly supplemental report, which is available on our website at www.iret.com.



Timothy P. Mihalick

President & CEO

- **2009** | Named President and CEO
- **2002-2009** | Served as Senior Vice President and COO
- **1997-2002** | Served as COO
- **1999** | Joined IRET Board of Trustees
- *Graduate of Minot State University*



Diane K. Bryantt
Executive Vice President
& Chief Operating Officer



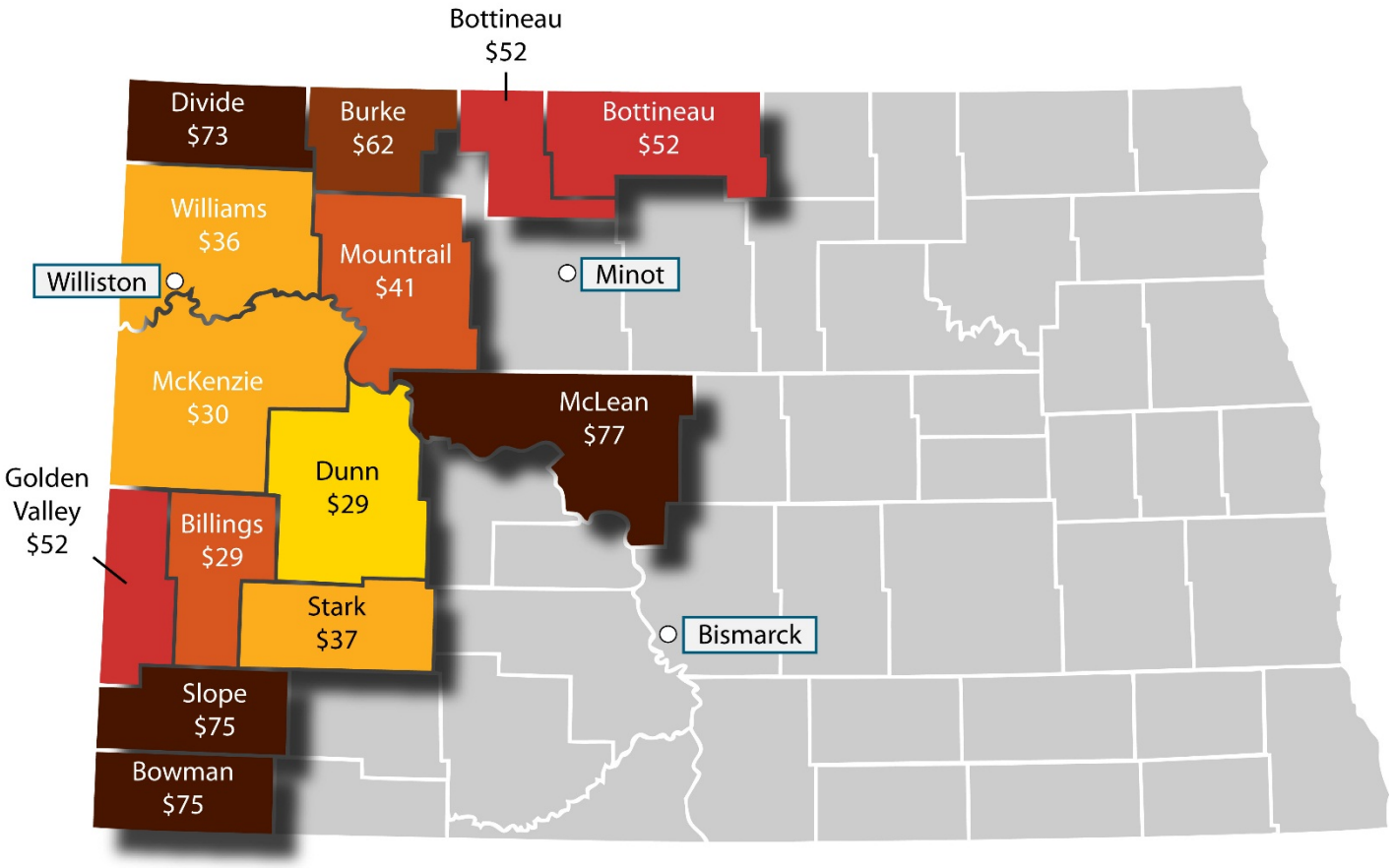
Ted E. Holmes
Executive Vice President
& Chief Financial Officer



Mark W. Reiling
Executive Vice President
& Chief Investment Officer



Michael A. Bosh
Executive Vice President
& General Counsel



- According to the DMR, breakeven price points – at which new drilling would cease – vary across the Williston Basin. With McKenzie County in the heart of the Bakken, new drilling wouldn't cease until oil prices dropped to $30 per barrel.
- The price at which production from existing wells would be shut-in is $15 per barrel.

Source: The Bakken Magazine, ND Department of Mineral Resources



Ted E. Holmes | Executive Vice President and CFO

- **2015** | Promoted to Executive Vice President and CFO
- **2010-2015** | Served as Senior Vice President of Finance
- **2009-2010** | Served as Vice President of Finance
- **2003-2009** | Director with Wells Fargo, NA
- **1994 - 2002** | Analyst and Assistant VP with Towle Financial
- *Graduate of St. Cloud State University*

Investors Real Estate Trust and Subsidiaries

(in thousands, except per share and unit data)	1/31/2015	10/31/2014	7/31/2014	4/30/2014	1/31/2014
		Three Months Ended			
Funds From Operations[1]					
Net income (loss) attributable to Investors Real Estate Trust	**$ 8,371**	$ 5,114	$ (151)	$ (28,542)	$ 3,503
Less dividends to preferred shareholders	**(2,879)**	(2,878)	(2,879)	(2,878)	(2,879)
Net (loss) income available to common shareholders	**5,492**	2,236	(3,030)	(31,420)	624
Adjustments:					
Noncontrolling interests – Operating Partnership	**657**	363	(402)	(6,082)	130
Depreciation and amortization	**17,706**	17,624	17,037	17,239	17,546
Impairment of real estate investments	**540**	3,245	2,320	37,768	4,798
Loss (Gain) on depreciable property sales	**(951)**	(1,231)	2,993	51	(358)
Funds from operations applicable to common shares and Units	**$ 23,444**	$ 22,237	$ 18,918	$ 17,556	$ 22,740
FFO per share and unit - basic and diluted	**0.17**	0.17	$0.14	0.14	0.17
Adjusted funds from operations[1]					
Funds from operations applicable to common shares and Units	**$ 23,444**	$ 22,237	$ 18,918	$ 17,556	$ 22,740
Adjustments:					
Tenant improvements at same-store properties [2]	**(1,984)**	(542)	(2,169)	(1,610)	(4,205)
Leasing costs at same-store properties [2]	**(358)**	(699)	(578)	(1,038)	(1,219)
Recurring capital expenditures[1] [2]	**(1,865)**	(1,567)	(1,386)	(1,118)	(1,093)
Straight-line rents	**184**	(103)	(268)	(70)	(818)
Non-real estate depreciation	**94**	96	99	102	99
Share-based compensation expense [3]	**260**	601	1,073	272	272
Gain on involuntary conversion	**0**	0	0	0	(1,514)
Adjusted funds from operations applicable to common shares and Units	**$ 19,775**	$ 20,023	$ 15,689	$ 14,094	$ 14,262
AFFO per share and unit - basic and diluted	**0.15**	0.15	0.12	0.11	0.11
Weighted average shares and units	**135,315**	133,295	131,332	129,244	128,027

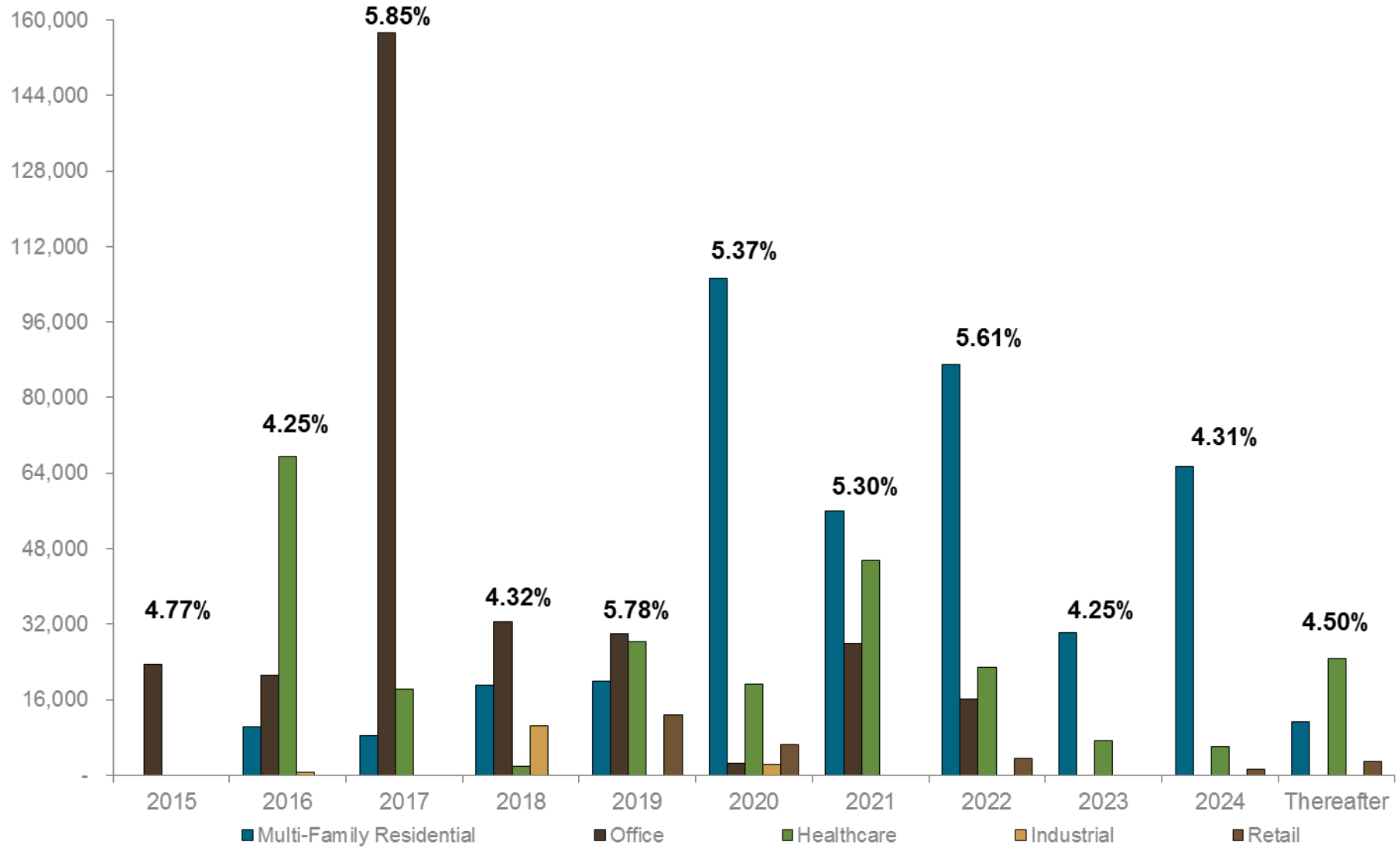
(1) Please refer to the definitions page of our January 31, 2015 earnings release for the definitions of Funds From Operations, Adjusted Funds From Operations, Recurring Capital Expenditures and other terms referenced within this presentation

(2) Quarterly information is for properties in the same-store pool at that point in time; consequently, quarterly numbers may not total to year-to-date numbers

(3) Three months ended 7/31/14, 4/30/14, and 1/31/14,revised to include trustee share-based compensation expense

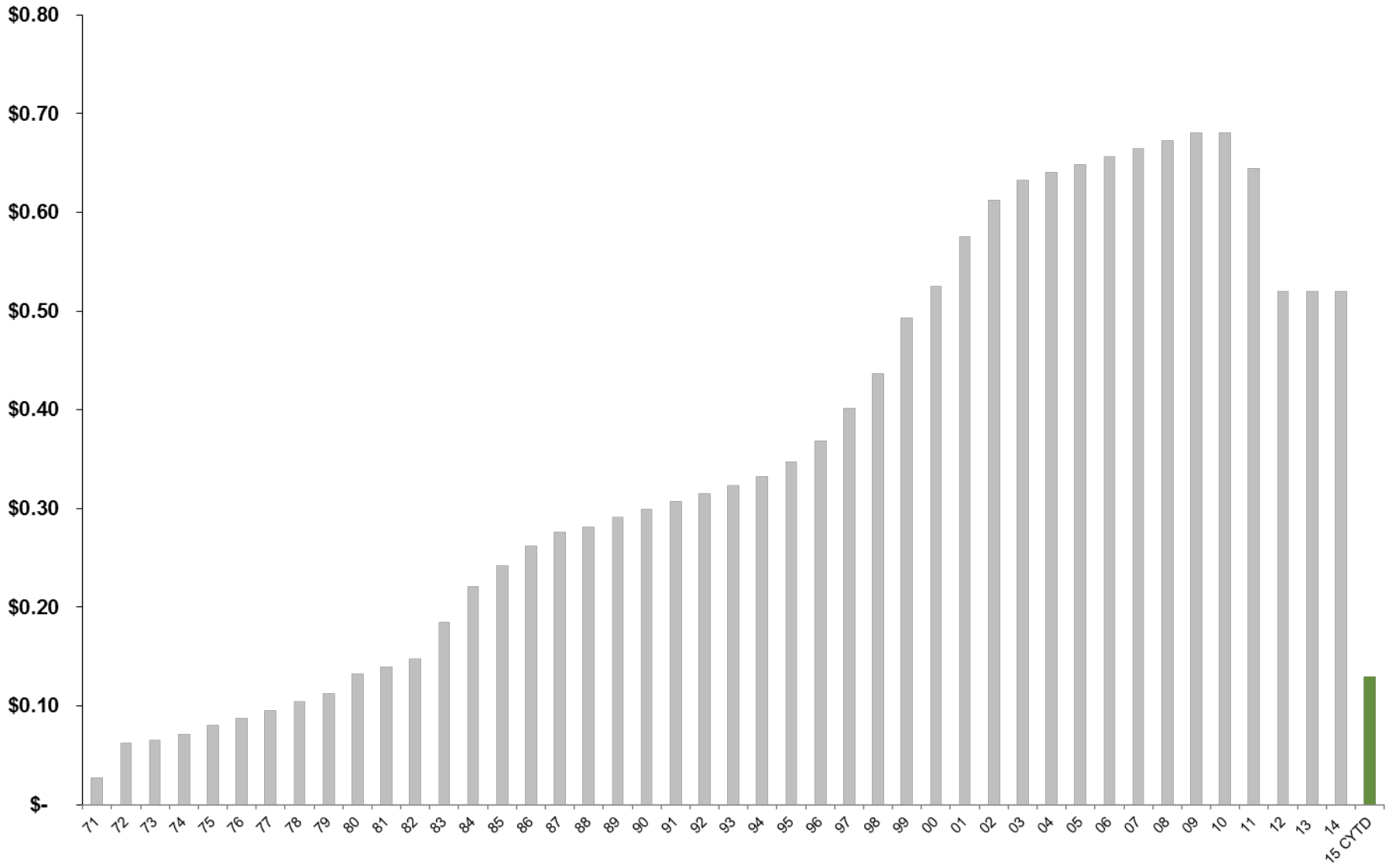
(in thousands, except per share data)	Three Months Ended January 31		Nine Months Ended January 31	
	2015	**2014**	**2015**	**2014**
REVENUE				
Real estate rentals	**$ 60,440**	56,156	**$ 176,401**	164,256
Tenant reimbursement	**11,513**	11,473	**33,431**	34,243
TRS senior housing revenue	**963**	804	**2,599**	804
TOTAL REVENUE	**72,916**	68,433	**212,431**	199,303
EXPENSES				
Depreciation/amortization related to real estate investments	**16,834**	16,733	**49,846**	51,156
Utilities	**5,367**	5,042	**15,141**	15,173
Maintenance	**7,799**	7,828	**23,391**	22,719
Real estate taxes	**8,816**	7,679	**25,583**	24,415
Insurance	**1,479**	1,190	**4,560**	3,904
Property management expenses	**4,746**	4,064	**13,731**	12,383
Other property expenses	**227**	124	**783**	304
TRS senior housing expenses	**825**	671	**2,243**	671
General and administrative	**3,242**	2,935	**10,986**	9,572
Amortization related to non-real estate investments	**916**	756	**2,628**	2,500
Impairment of real estate investments	**540**	4,798	**6,105**	4,798
TOTAL EXPENSES	**50,791**	51,820	**154,997**	147,595
Gain on involuntary conversion	**0**	1,514	**0**	2,480
Operating income	**22,125**	18,127	**57,434**	54,188
Interest expense	**(14,595)**	(15,130)	**(43,858)**	(44,525)
Interest income	**561**	573	**1,681**	1,346
Other income	**109**	34	**376**	123
Income before gain (loss) on sale of real estate and other investments and income from discontinued operations	**8,200**	3,604	**15,633**	11,132
Gain (loss) on sale of real estate and other investments	**951**	0	**(811)**	0
Income from continuing operations	**9,151**	3,604	**14,822**	11,132
Income from discontinued operations	**0**	465	**0**	6,450
NET INCOME	**9,151**	4,069	**14,822**	17,582
Net income attributable to noncontrolling interests – Operating Partnership	**(657)**	(130)	**(618)**	(1,406)
Net income attributable to noncontrolling interests – consolidated real estate entities	**(123)**	(436)	**(870)**	(808)
Net income attributable to Investors Real Estate Trust	**8,371**	3,503	**13,334**	15,368
Dividends to preferred shareholders	**(2,879)**	(2,879)	**(8,636)**	(8,636)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	**$ 5,492**	624	**$ 4,698**	6,732
Earnings per common share from continuing operations – Investors Real Estate Trust – basic and diluted	**$ .05**	.00	**$ .04**	.01
Earnings per common share from discontinued operations – Investors Real Estate Trust – basic and diluted	**.00**	.00	**.00**	.05
NET INCOME PER COMMON SHARE – BASIC AND DILUTED	**$ .05**	.00	**$ .04**	.06
DIVIDENDS PER COMMON SHARE	**$ .1300**	**.1300**	**$ .3900**	.3900

(in thousands, except share data)	January 31, 2015	April 30, 2014
ASSETS		
Real estate investments		
Property owned	$ 2,093,148	1,996,031
Less accumulated depreciation	(439,153)	(424,288)
	1,653,995	1,571,743
Development in progress	114,005	104,609
Unimproved land	27,675	22,864
Total real estate investments	1,795,675	1,699,216
Real estate held for sale	44,259	2,951
Cash and cash equivalents	52,148	47,267
Other investments	329	329
Receivable arising from straight-lining of rents, *net of allowance of $714 and $796, respectively*	27,169	27,096
Accounts receivable, *net of allowance $445 and $248, respectively*	5,574	10,206
Real estate deposits	7,494	145
Prepaid and other assets	5,580	4,639
Intangible assets, *net of accumulated amortization of $25,423 and $24,071, respectively*	28,475	32,639
Tax, insurance, and other escrow	11,277	20,880
Property and equipment, *net of accumulated depreciation of $1,364 and $2,041, respectively*	1,619	1,681
Goodwill	1,940	1,100
Deferred charges and leasing costs, *net of accumulated amortization of $21,020 and $21,068, respectively*	19,803	21,072
TOTAL ASSETS	$ 2,001,342	1,869,221
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$ 69,901	59,105
Revolving line of credit	50,500	22,500
Mortgages payable	1,006,179	997,689
Other	132,210	63,178
TOTAL LIABILITIES	1,258,790	1,142,472
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTERESTS – CONSOLIDATED REAL ESTATE ENTITIES	6,340	6,203
EQUITY		
Investors Real Estate Trust shareholders' equity		
Series A Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value, 1,150,000 shares issued and outstanding at January 31, 2015 and April 30, 2014, aggregate liquidation preference of $28,750,000)*	27,317	27,317
Series B Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value, 4,600,000 shares issued and outstanding at January 31, 2015 and April 30, 2014, aggregate liquidation preference of $115,000,000)*	111,357	111,357
Common Shares of Beneficial Interest *(Unlimited authorization, no par value, 122,134,143 shares issued and outstanding at January 31, 2015, and 109,019,341 shares issued and outstanding at April 30, 2014)*	935,287	843,268
Accumulated distributions in excess of net income	(430,282)	(389,758)
Total Investors Real Estate Trust shareholders' equity	643,679	592,184
Noncontrolling interests – Operating Partnership *(14,397,983 units at January 31, 2015 and 21,093,445 units at April 30, 2014)*	61,177	105,724
Noncontrolling interests – consolidated real estate entities	31,356	22,638
Total equity	736,212	720,546
TOTAL LIABILITIES AND EQUITY	$ 2,001,342	1,869,221



*Weighted Average Interest Rate of Debt that Matures in Fiscal Year

Total Calendar Year Distributions Paid





Diane K. Bryantt | Executive Vice President & COO

- **2015 |** Promoted to Executive Vice President and COO
- **2012 - 2015** | Served as Executive Vice President and CFO
- **2002-2012** | Served as Senior Vice President and CFO
- **1996-2002** | Served as Controller & Corporate Secretary
- *Graduate of Minot State University*



Renaissance Heights

IRET JV Participation | 70%
Williston, ND
288 Units
Opened Spring 2014



Cardinal Point

Grand Forks, ND
251 Units
Opening Summer 2015



Deer Ridge

Jamestown, ND
163 Units
Opening Summer 2015



Chateau II

Minot, ND
72 Units
Opening Spring 2015



Legacy Heights

Bismarck, ND
119 Units
Opening Spring 2015
Under contract to purchase upon completion



The Gardens

Grand Forks, ND
74 Units
Opening Spring 2015
Under contract to purchase upon completion



71 France – Phase I,II,& III

IRET JV Participation | 52.6%
Edina, MN | Mixed-Use
241 Units | 21,772 Sq. Ft.
Opening Summer 2015



Edina SMC III

Edina, MN
57,479 Sq. Ft.
Opening Fall 2015



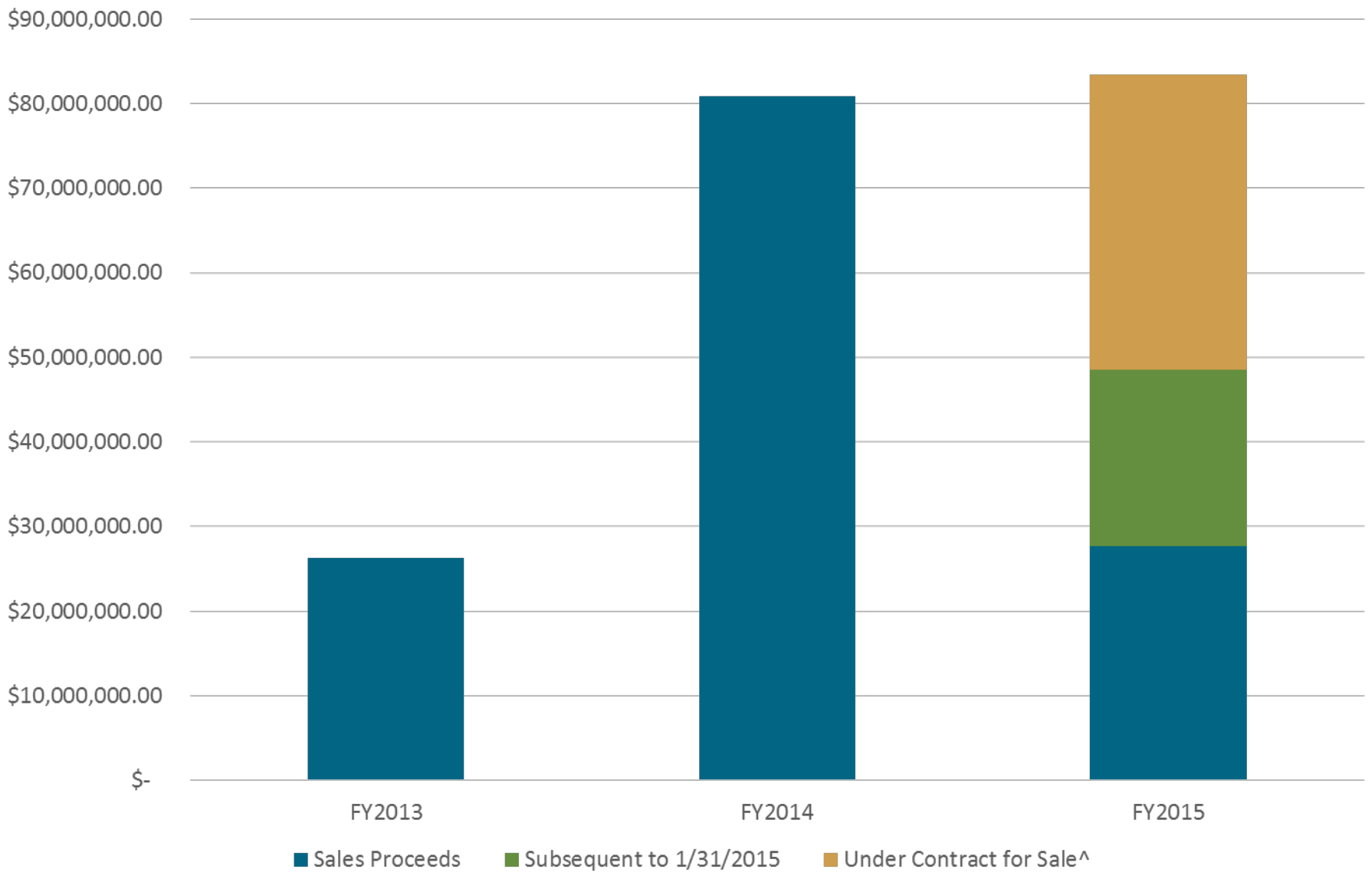
PrairieCare Medical

Brooklyn Park, MN
72,895 Sq. Ft.
Opening Fall 2015

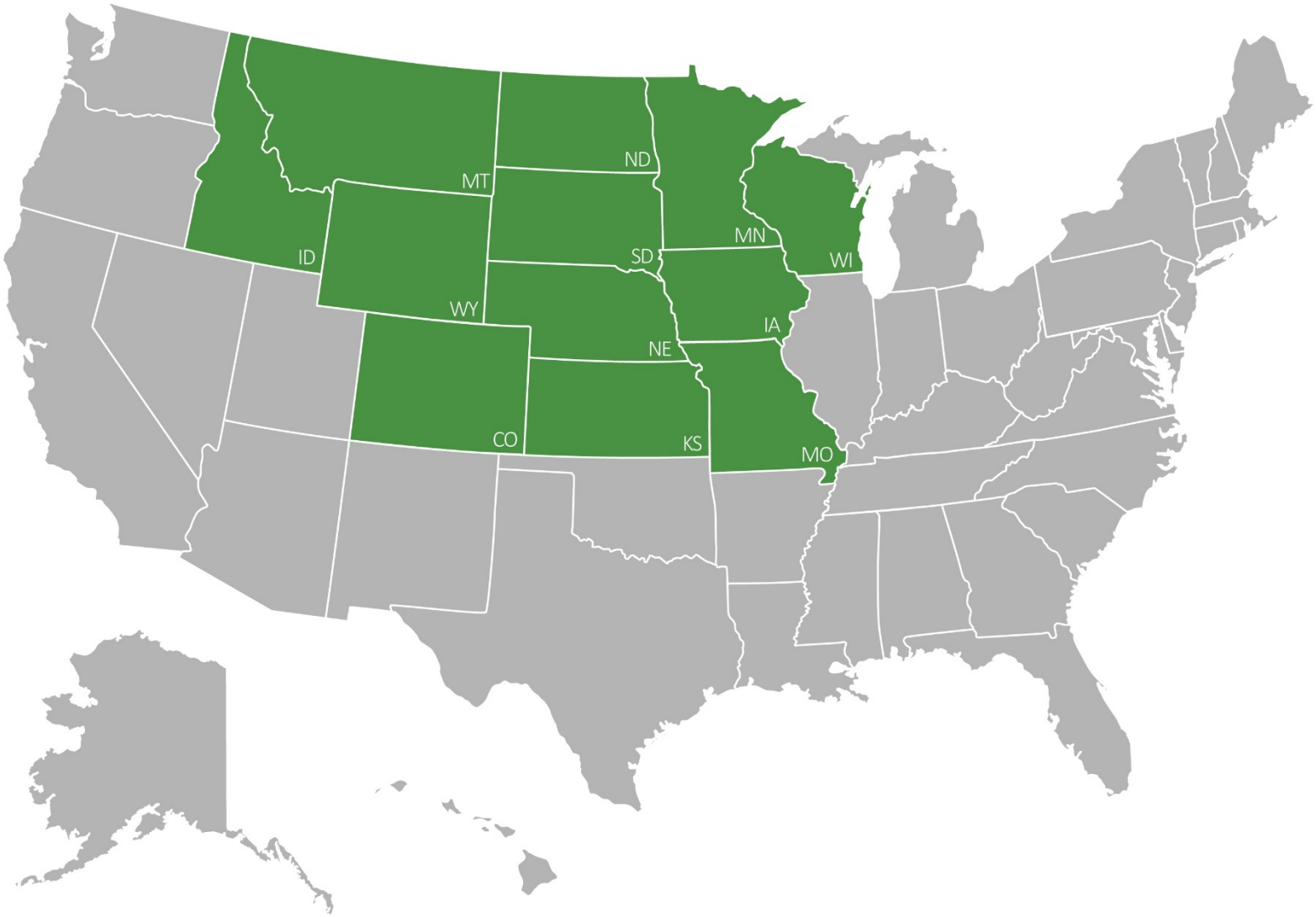


Roseville 3075

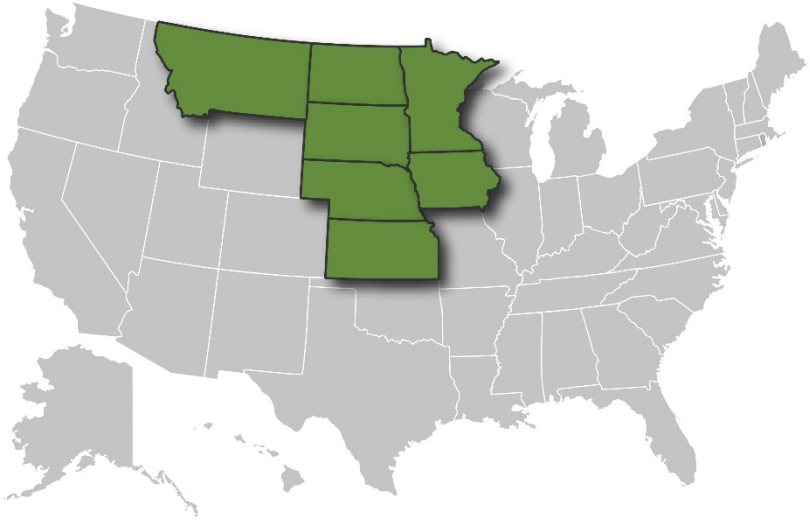
Roseville, MN
202,807 Sq. Ft.
Opened early 2015



*By Sales Price
^No assurances can be given that the transactions will be completed in Fiscal Year 2015


ND
MT
MN
ID
SD
WI
WY
IA
NE
CO
KS
MO

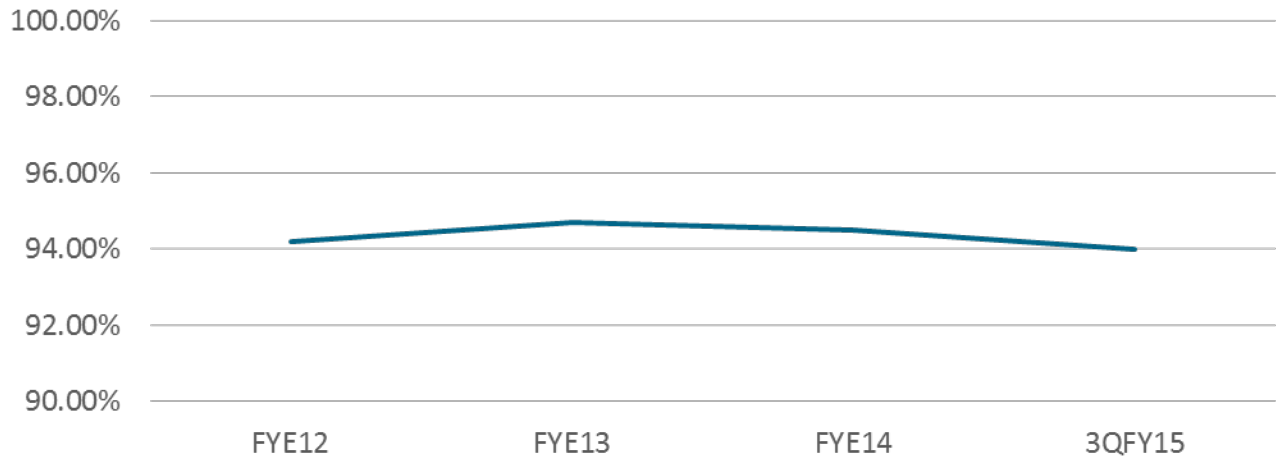
multi-family footprint



44.6% of portfolio

99 properties | 11,765 units

same-store occupancy

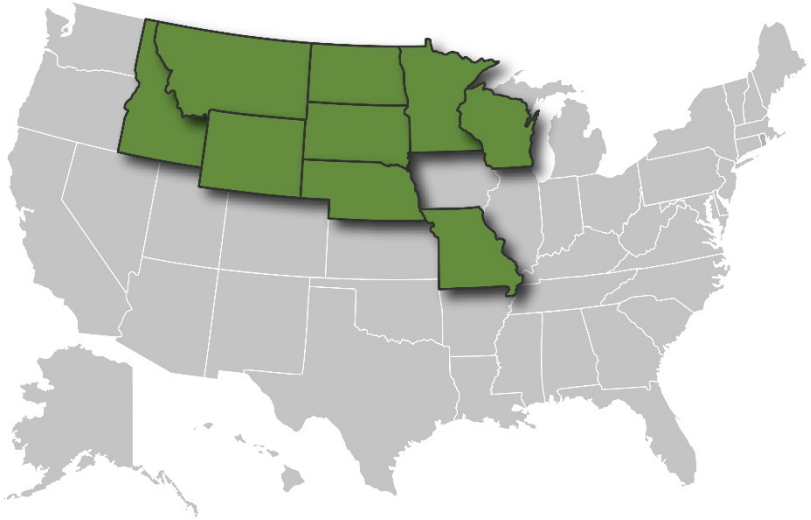


94.0%

same-store occupancy

Same-store Multi-Family occupancy has consistently remained above 93.0% over the past fourteen quarters

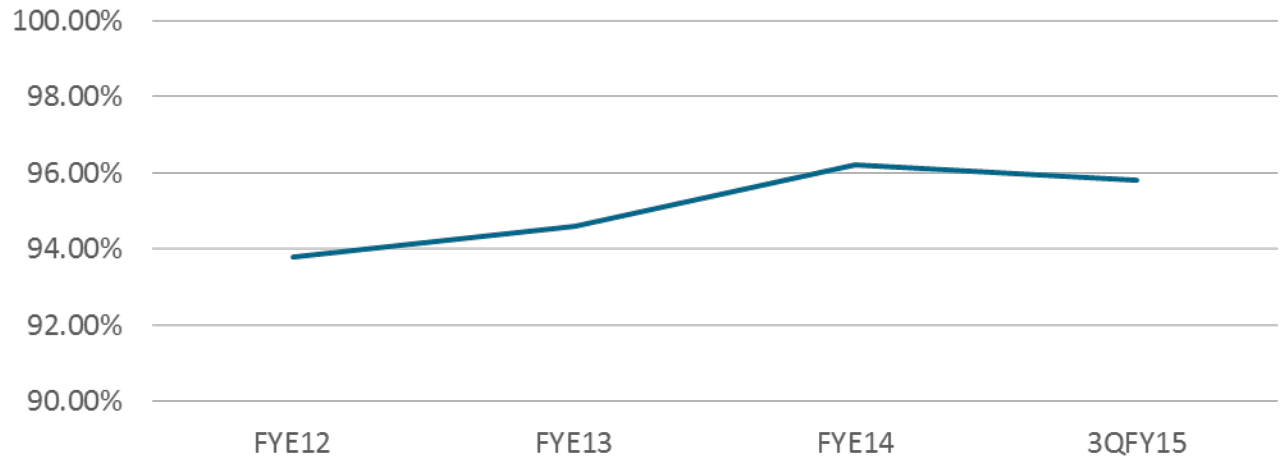
healthcare footprint



24.8% of portfolio

67 properties | 3.0 million Sq. Ft.

same-store occupancy

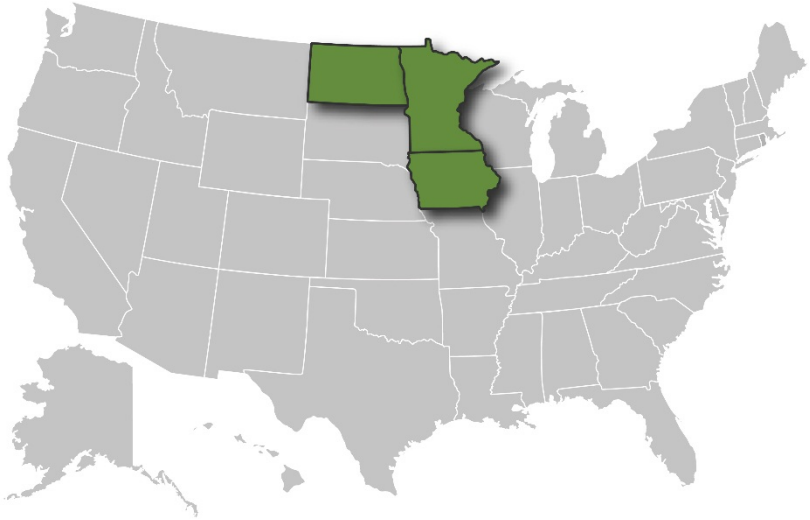


95.8%

same-store occupancy

Same-store Healthcare occupancy has consistently remained above 94.0% over the past twelve quarters

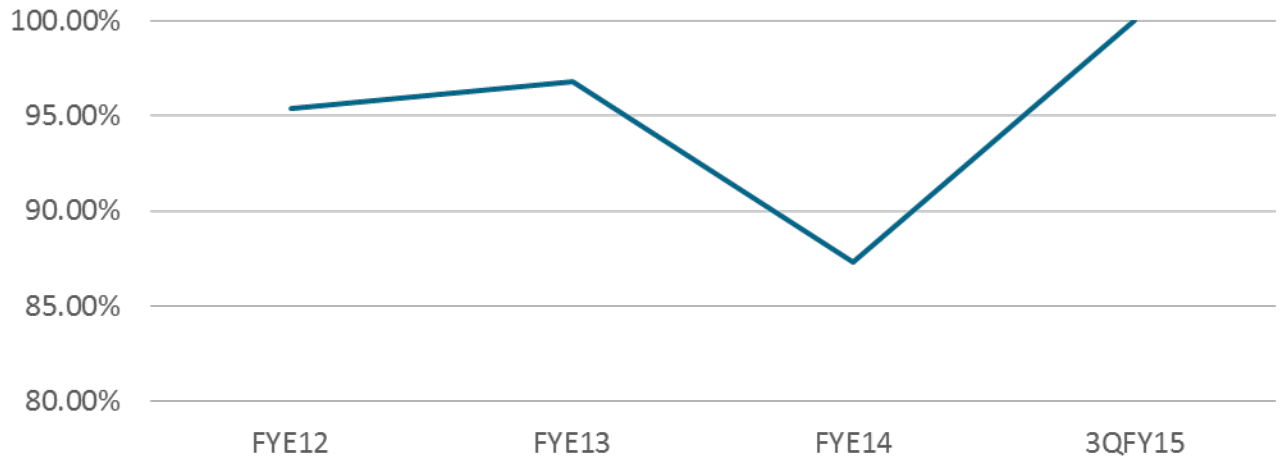
industrial footprint



2.4% of portfolio

7 properties | 1.0 million Sq. Ft.

same-store occupancy



100.0%

same-store occupancy

Same-store Industrial occupancy has remained at 100.0% over the past three quarters

target midwestern regional hubs

- Strong Regional Healthcare Systems
- Universities and Colleges
- Direct Access to Major Transportation
- Regional Retail and Entertainment
- Viable Path to Market Leadership
- 10,000 Units in 10 Core Markets





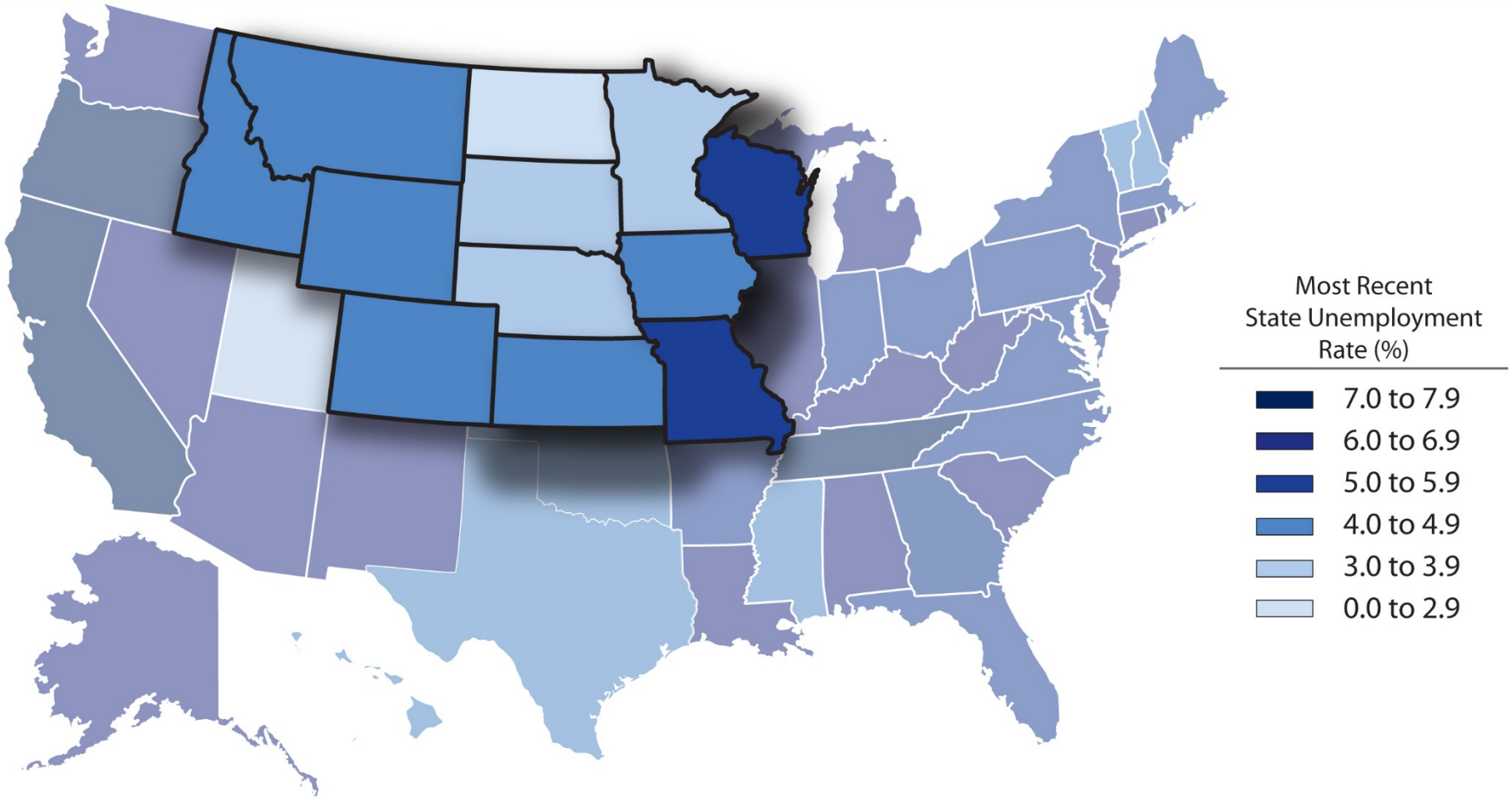


portfolio unemployment rates slide 22

same-store occupancy levels by segment slide 23

investment portfolio slide 24

FFO and AFFO performance slide 25

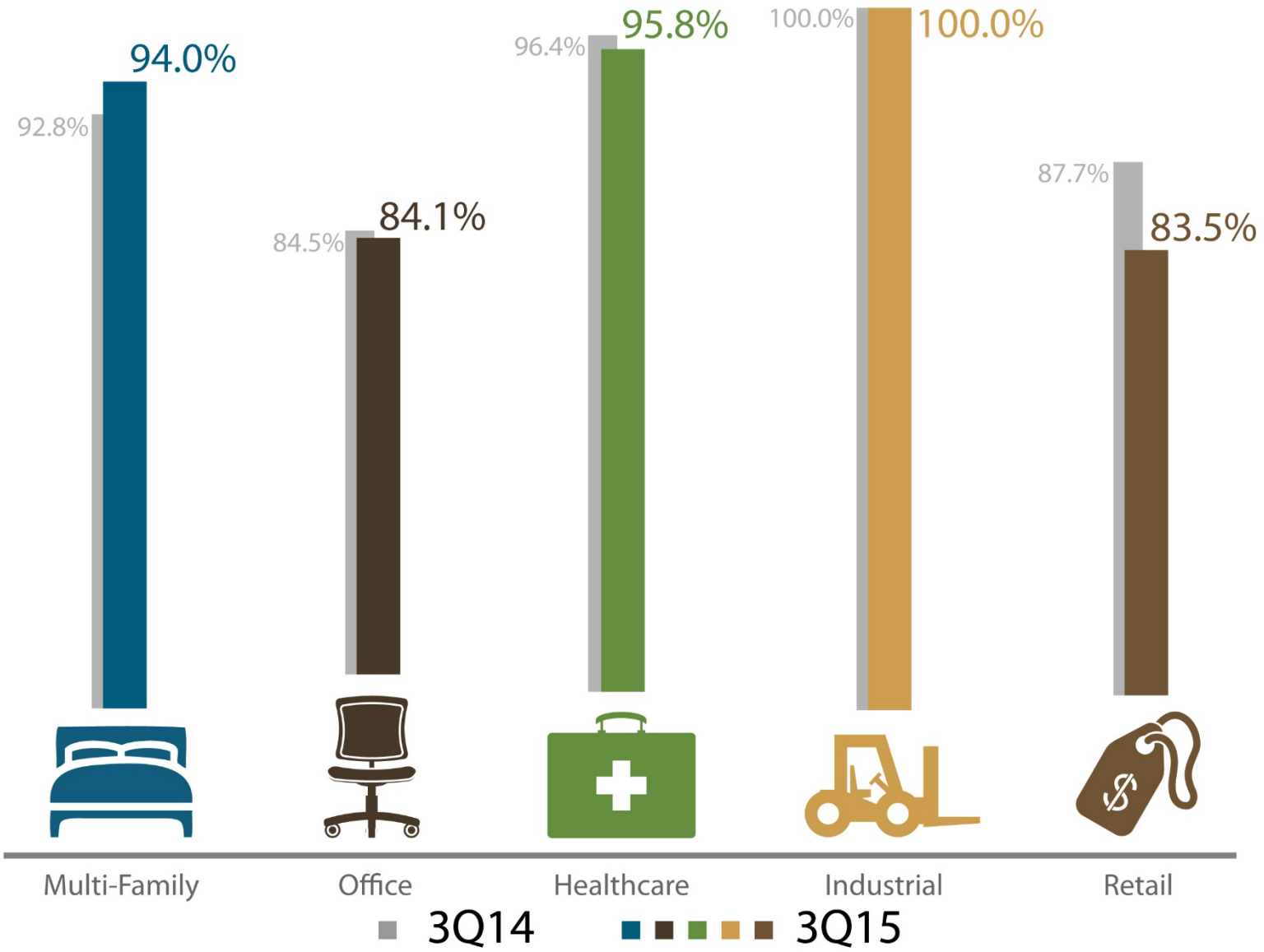


portfolio unemployment rates

U.S. | 5.7%

MT | 4.3%	ND | 2.7%	SD | 3.3%	NE | 3.1%	KS | 4.3%	MN | 3.7%
IA | 4.3%	ID | 4.4%	WY | 4.2%	CO | 4.2%	WI | 5.2%	MO | 5.4%

Source: bls.gov, most recent data


94.0%
92.8%
84.1%
84.5%
95.8%
96.4%
100.0%
100.0%
87.7%
83.5%
Multi-Family
Office
Healthcare
Industrial
Retail
3Q14
3Q15



5.5%
24 Retail Properties
1.2 Million Sq. Ft



2.5%
7 Industrial Properties
1.0 Million Sq. Ft



26.1%
67 Healthcare Properties
3.0 Million Sq. Ft



23.8%
63 Office Properties
4.7 Million Sq. Ft



42.1%
96 Multi-Family Properties
11,292 Apartment Units

Total Properties | 257

2Q15



5.3%
24 Retail Properties
1.2 Million Sq. Ft



2.4%
7 Industrial Properties
1.0 Million Sq. Ft



24.8%
67 Healthcare Properties
3.0 Million Sq. Ft



22.9%
62 Office Properties
4.6 Million Sq. Ft

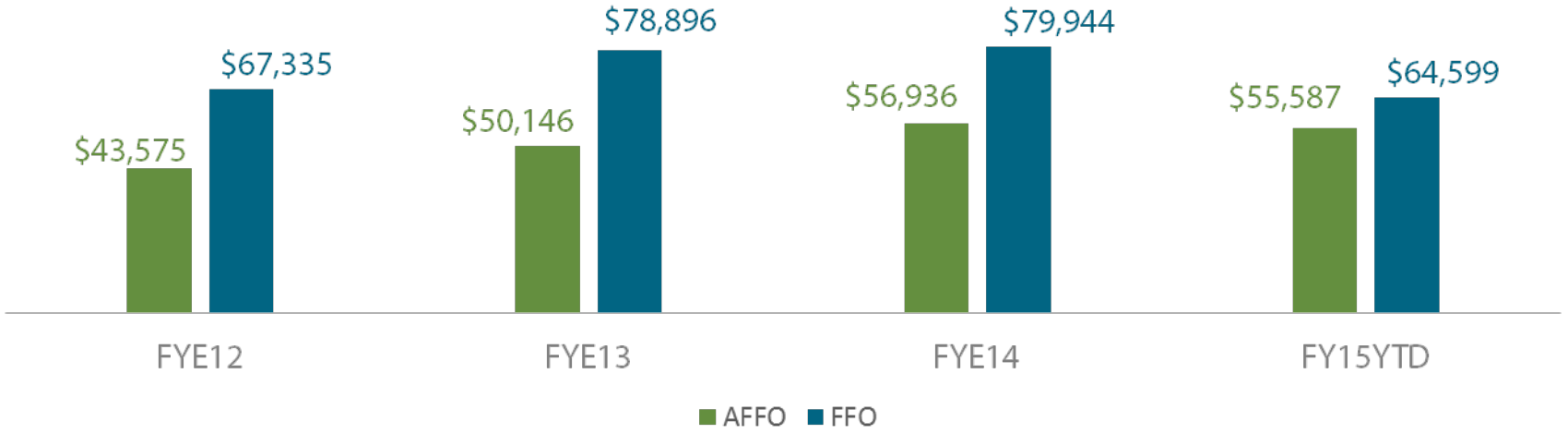


44.6%
99 Multi-Family Properties
11,765 Apartment Units

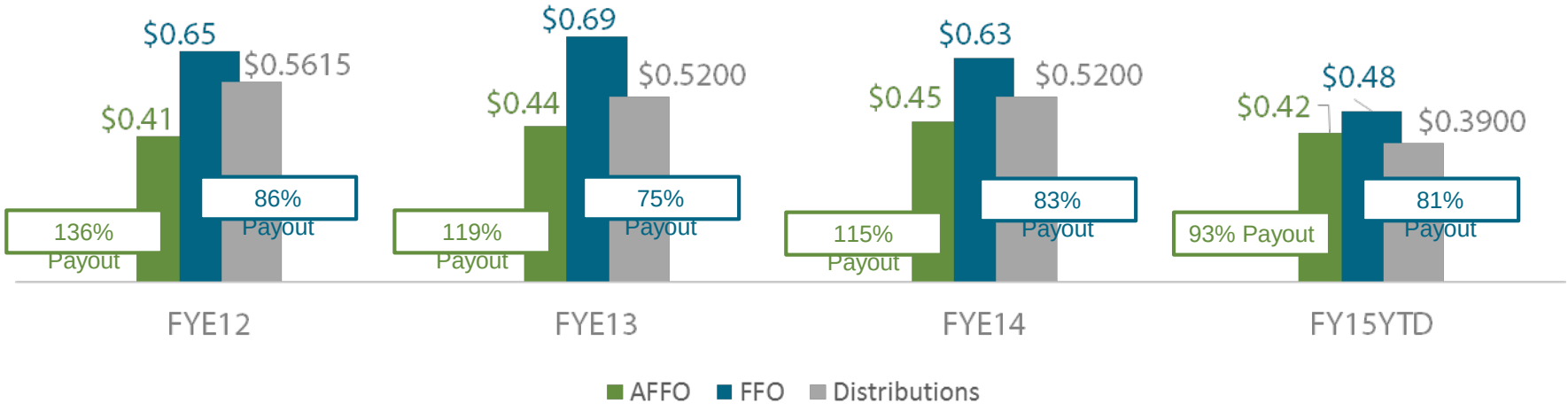
Total Properties | 259

3Q15

total FFO and adjusted AFFO (000s)



FFO and AFFO payout ratios



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INVESTORS REAL ESTATE TRUST



Third Quarter Fiscal 2015 Earnings Call

March 13, 2015

9:00 A.M. CT