IRET

INVESTORS REAL ESTATE TRUST



# Investor Update April 28, 2015

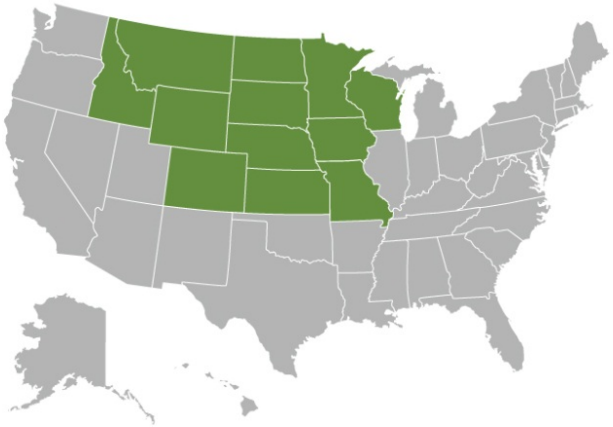
(all information in this presentation is as of 1/31/15, unless otherwise noted)

# 430+ employees



# properties

259 properties in 12 states
11,765 apartment units
9.8 million commercial sq. ft.



# $2.1 billion of property owned



Multi-Family | $933m



Office | $478m



Healthcare | $520m



Industrial | $51m

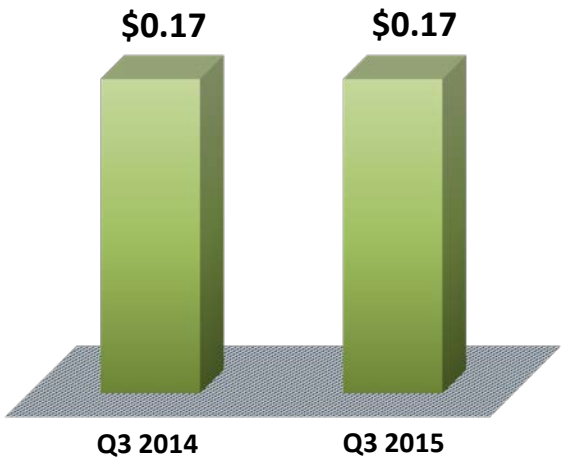



Retail | $111m

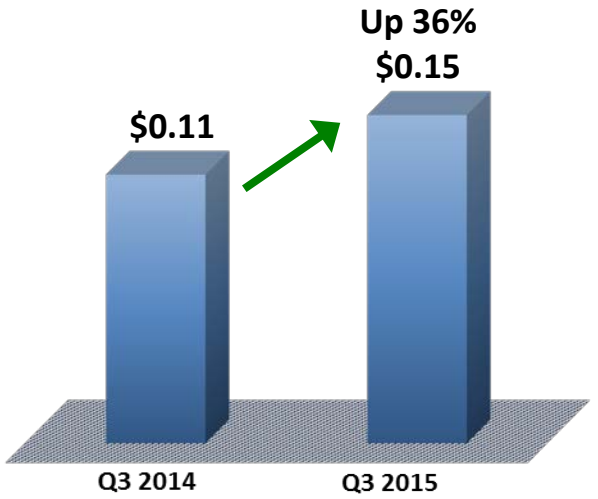
# management objectives

- Provide our shareholders predictable earnings and cash flow
- Successfully close on the sale of our office and retail property segments
- Redeploy our sales proceeds in an appropriate combination of deleveraging, and acquisition and development alternatives to maximize shareholder value
- Bring to completion current development projects to grow earnings and cash flow
- Maintain our development pipeline and increase our acquisition activity

## 3Q FFO

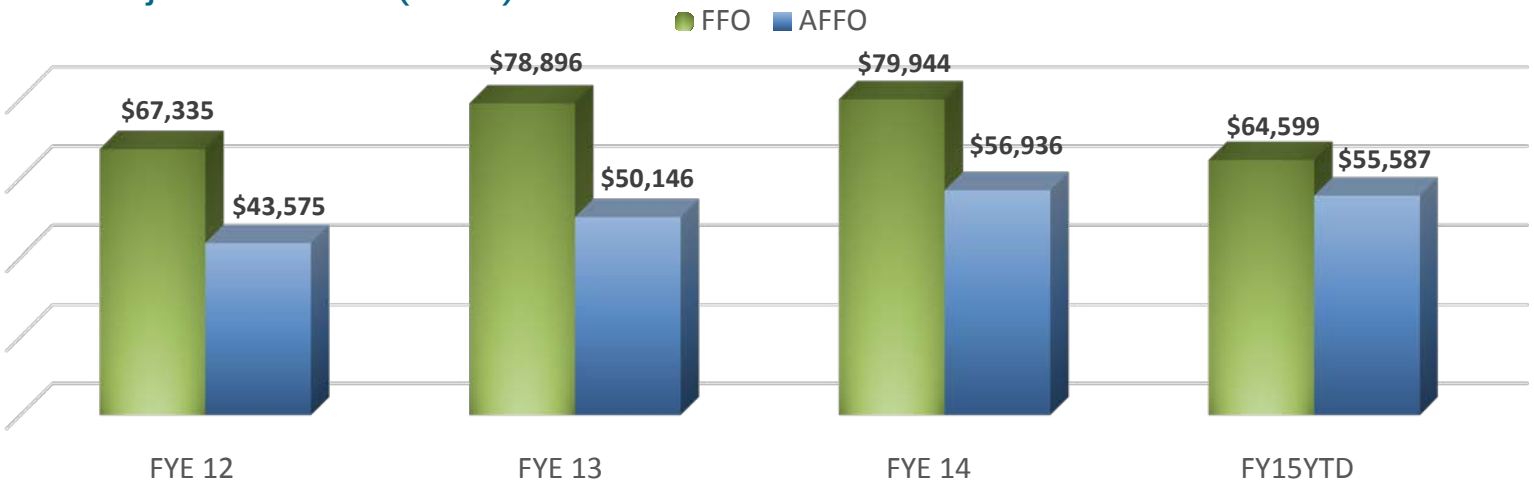



## 3Q AFFO

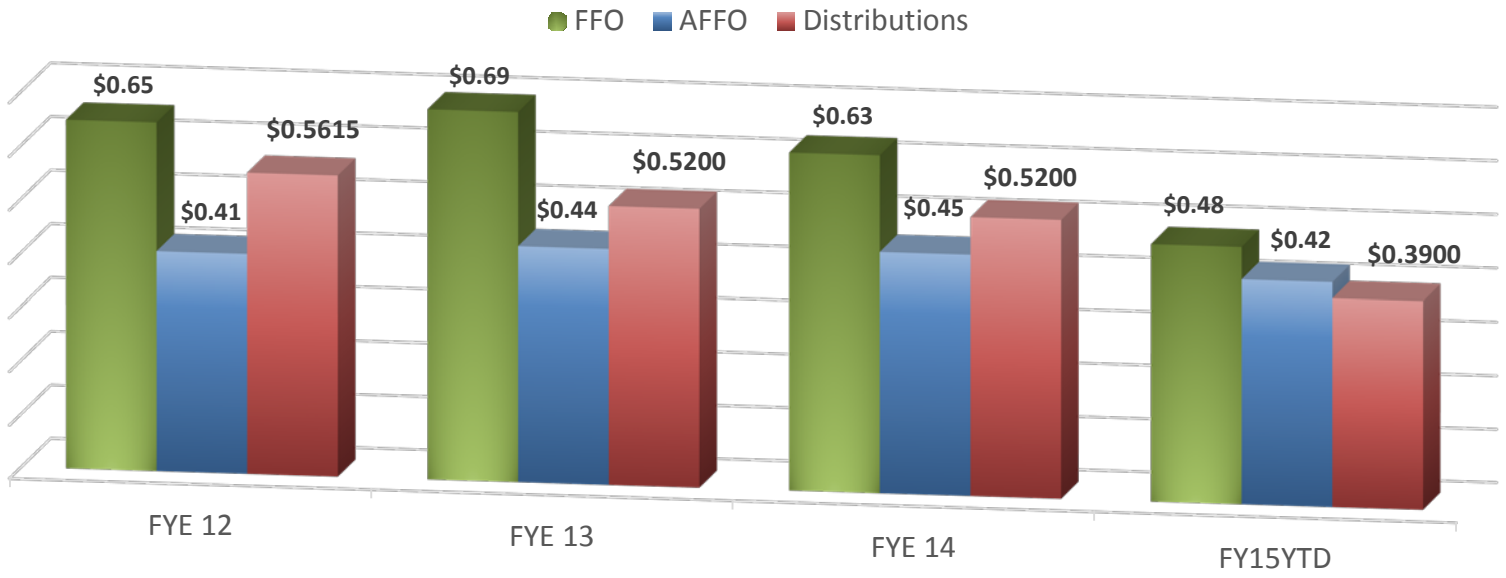



- Solid quarter with FFO of $0.17 cents per share for the third quarter ending January 31, 2015 which repeated the strong performance from the third quarter a year ago
- Reported AFFO at $0.15 per share for the third quarter ending January 31, 2015 vs $0.11 cents per share for the comparative period a year ago

## Total FFO and adjusted AFFO (000s)



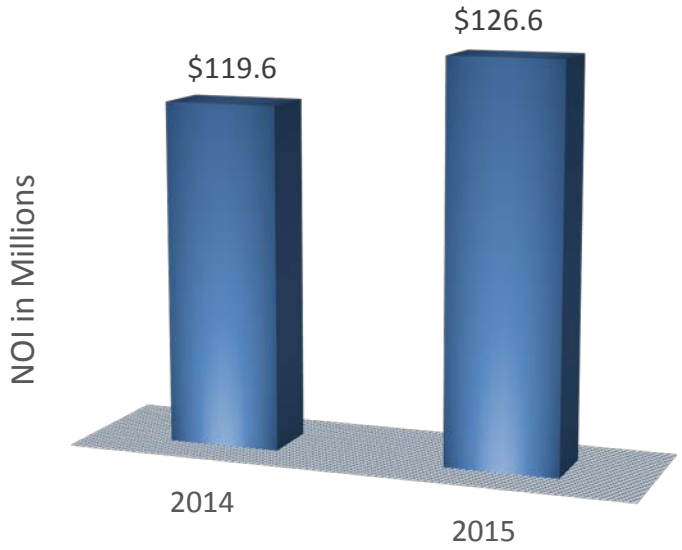

## FFO and AFFO



## Fiscal YTD Revenue



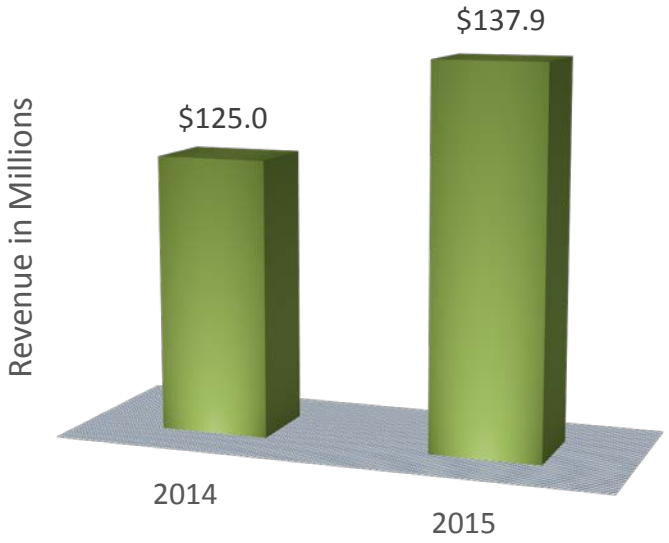

## Fiscal YTD Net Operating Income



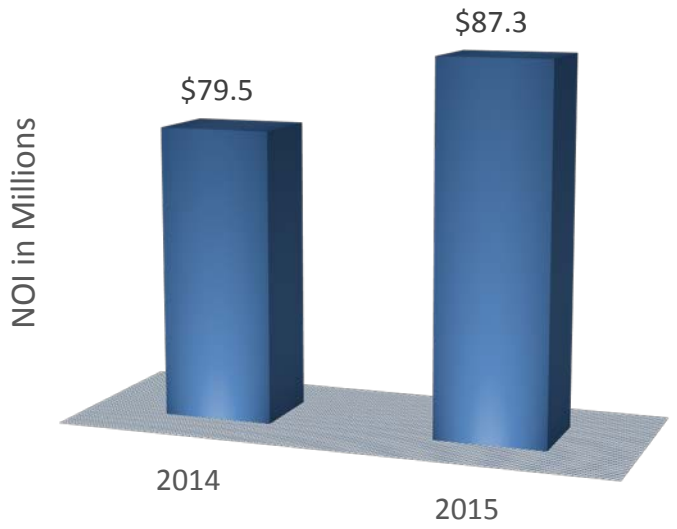

- Revenue in our reporting segments for the nine month period ending January 31, 2015 was $209.8 million, an increase of 5.7% from the prior comparative period
- Net Operating Income in our reporting segments for the nine month period ending January 31, 2015 was $126.6 million, an increase of 5.9% from the prior comparative period.

*Excludes income from gain on involuntary conversion. Data shown is nine months fiscal year to date ending January 31, 2014 and 2015.

## Fiscal YTD MF and HC Revenue




## Fiscal YTD MF and HC Net Operating Income



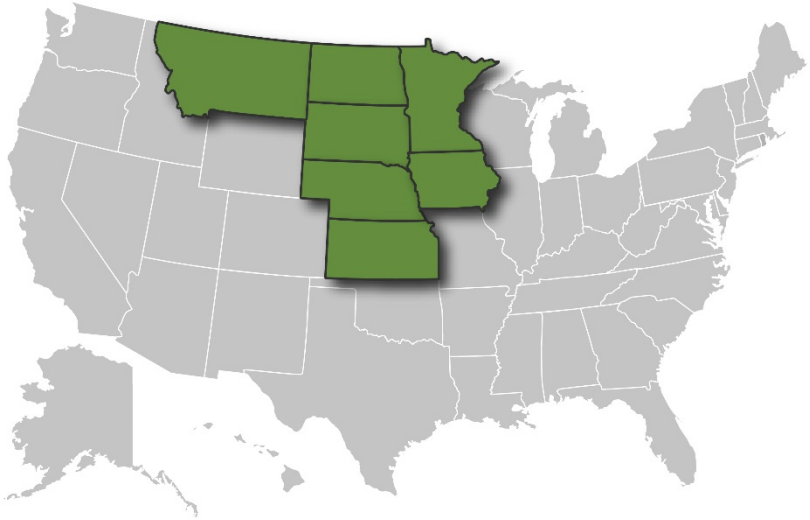

- Revenue in our multifamily and healthcare segments for the nine month period ending January 31, 2015 was $137.9 million, an increase of 10.3% from the prior comparative period
- Net Operating Income in our multifamily and healthcare segments for the nine month period ending January 31, 2015 was $87.3 million, an increase of 9.9% from the prior comparative period.

*Excludes income from gain on involuntary conversion. Data shown is nine months fiscal year to date ending January 31, 2014 and 2015.

| | 1/31/2014 | 1/31/2015 |
|---|---|---|
| Gross Real Estate Assets | $ 2,152,874 | $ 2,234,828 |
| Total Mortgage Debt | $ 1,031,024 | $ 1,056,679 |
| Net Debt | $ 977,530 | $ 1,004,531 |
| Market Equity Capitalization | $ 1,118,720 | $ 1,126,389 |
| Preferred | $ 143,750 | $ 143,750 |
| Total Enterprise Value | $ 2,240,000 | $ 2,274,670 |
| Adjusted EBITDA(1) | $ 155,156(2) | 161,804(3) |
| Mortgage Interest Expense | $ 60,520(2) | 58,380(3) |
| Net Debt / Gross Real Estate Assets | 45.41% | 44.95% |
| Net Debt / Enterprise Value | 43.64% | 44.16% |
| Net Debt / Adjusted EBITDA(1) | 6.30 | 6.21 |
| EBIDTA / Mortgage Interest Expense | 2.56 | 2.77 |
| Liquidity | $102,994 | 91,648 |
| Weighted Avg. Interest Rate | 5.48% | 5.17% |
| FFO Payout Ratio | 76.5% | 76.5% |
| AFFO Payout Ratio | 118.2% | 86.7% |

(1) EBITDA includes an add back for impairment
(2) 3QFY14 Data Annualized
(3) 3QFY15 Data Annualized

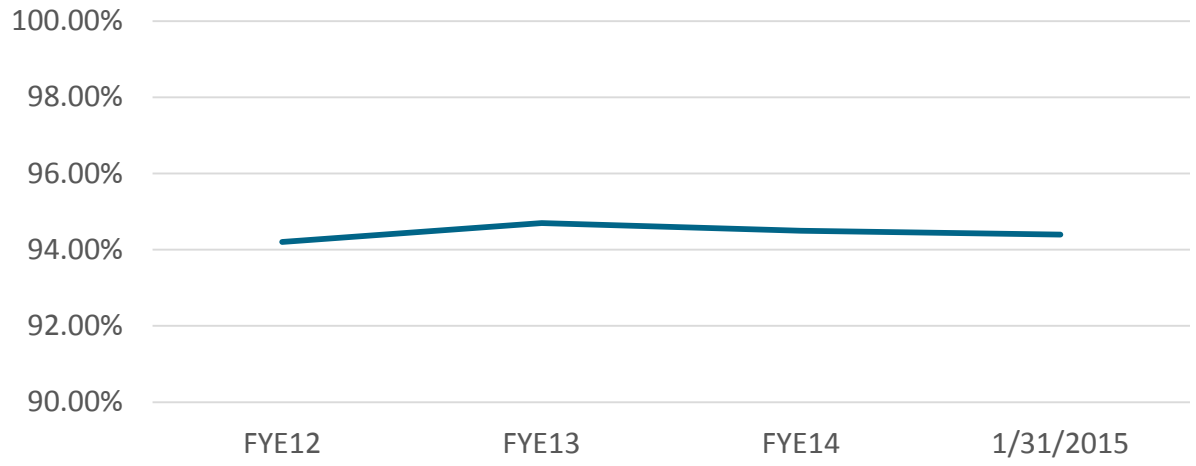
## multi-family footprint



**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

## Montana

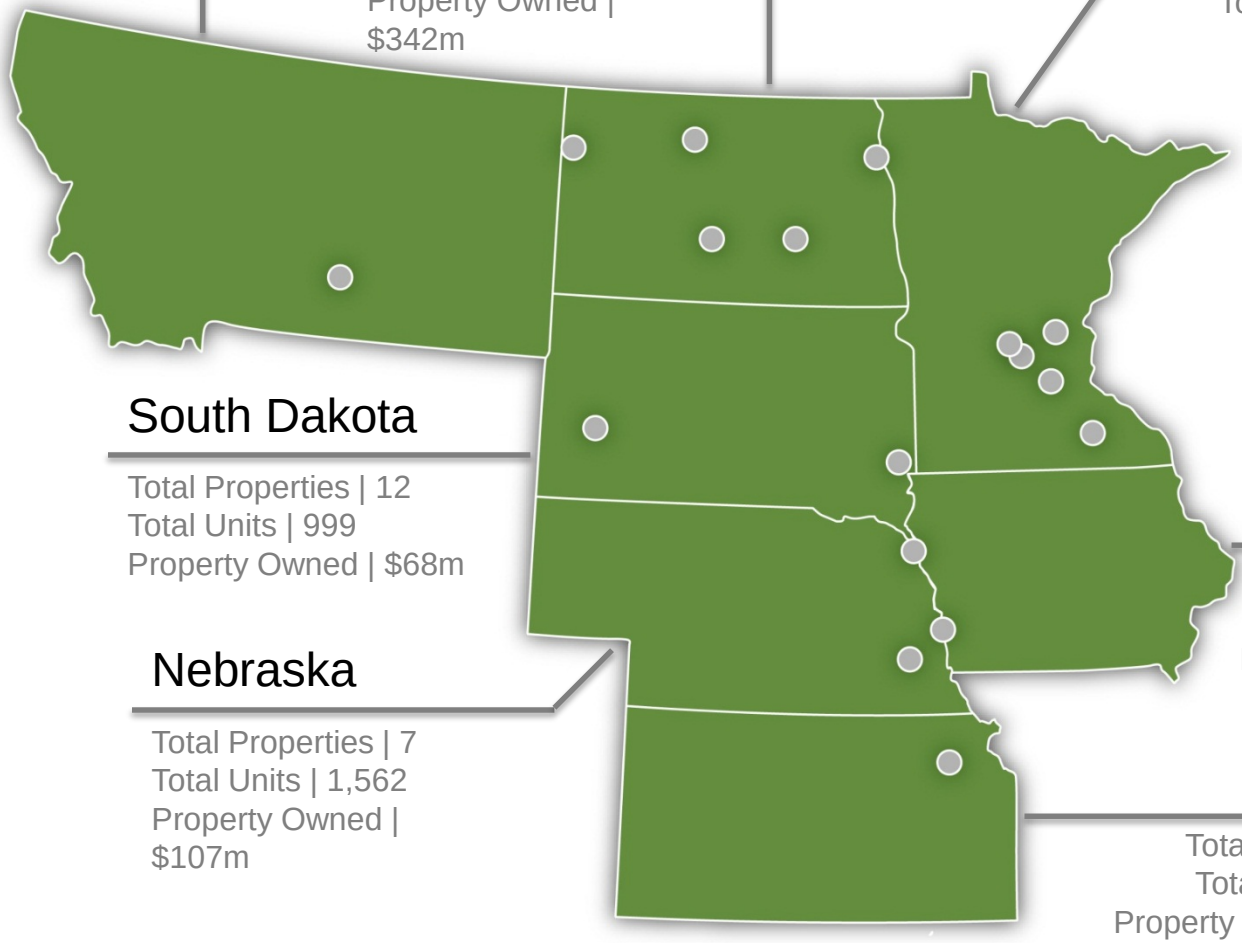
Total Properties | 6
Total Units | 770
Property Owned | $46m

## North Dakota

Total Properties | 36*
Total Units | 3,580
Property Owned | $342m

## Minnesota

Total Properties | 31*
Total Units | 3,560
Property Owned | $292m



## South Dakota

Total Properties | 12
Total Units | 999
Property Owned | $68m

## Iowa

Total Properties | 2
Total Units | 252
Property Owned | $13m

## Nebraska

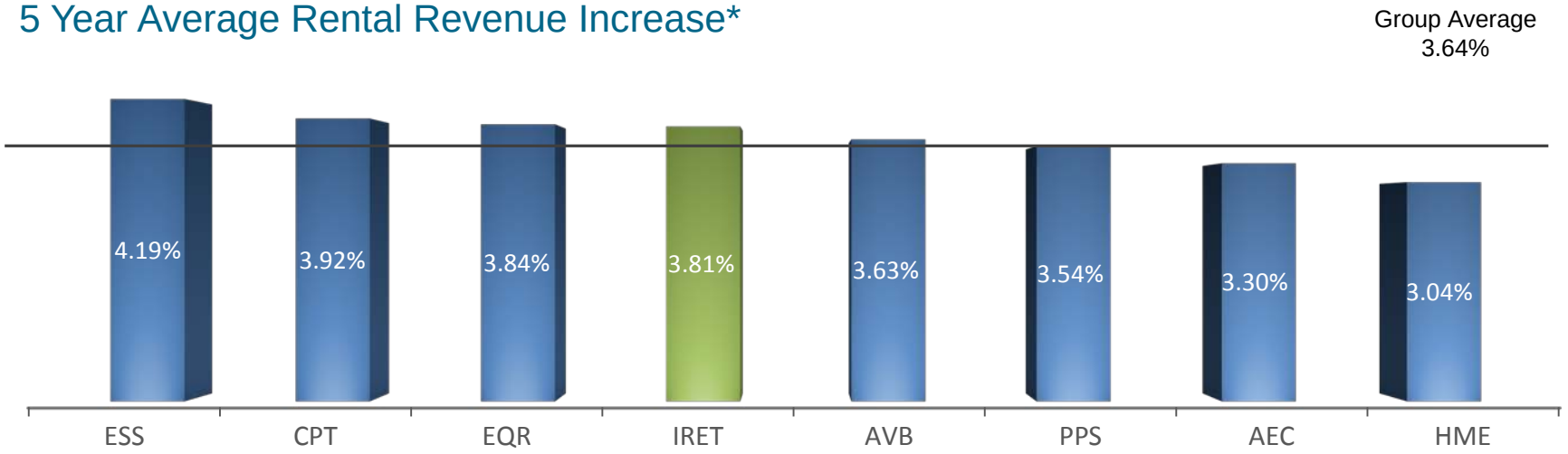
Total Properties | 7
Total Units | 1,562
Property Owned | $107m

## Kansas

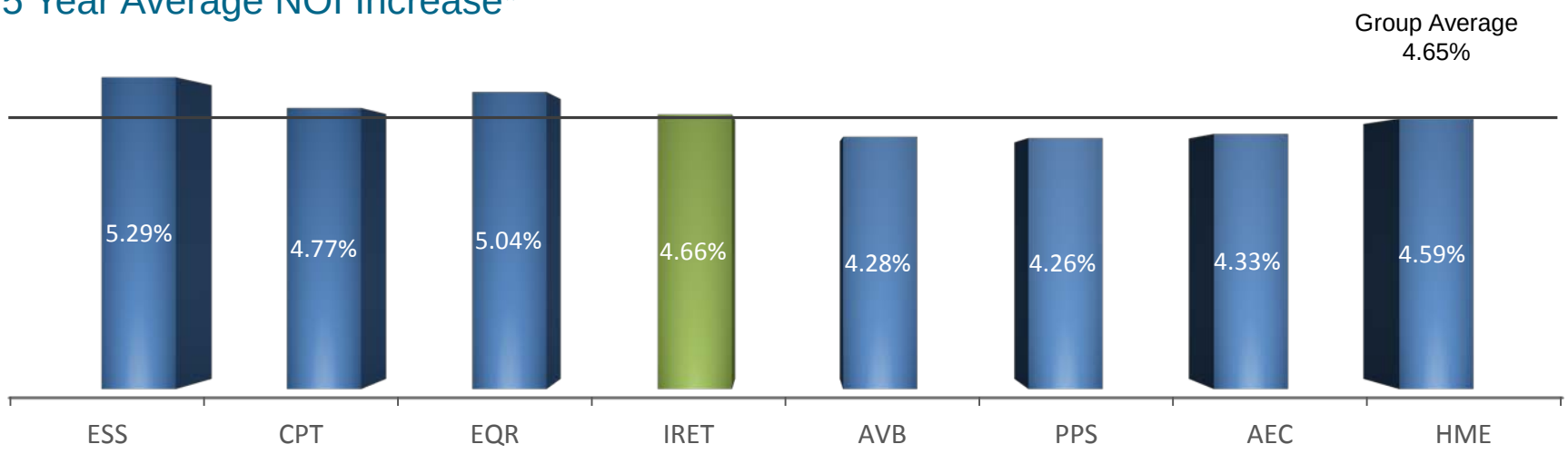
Total Properties | 5
Total Units | 1,042
Property Owned | $65m

*Includes Joint Venture properties

## 5 Year Average Rental Revenue Increase*

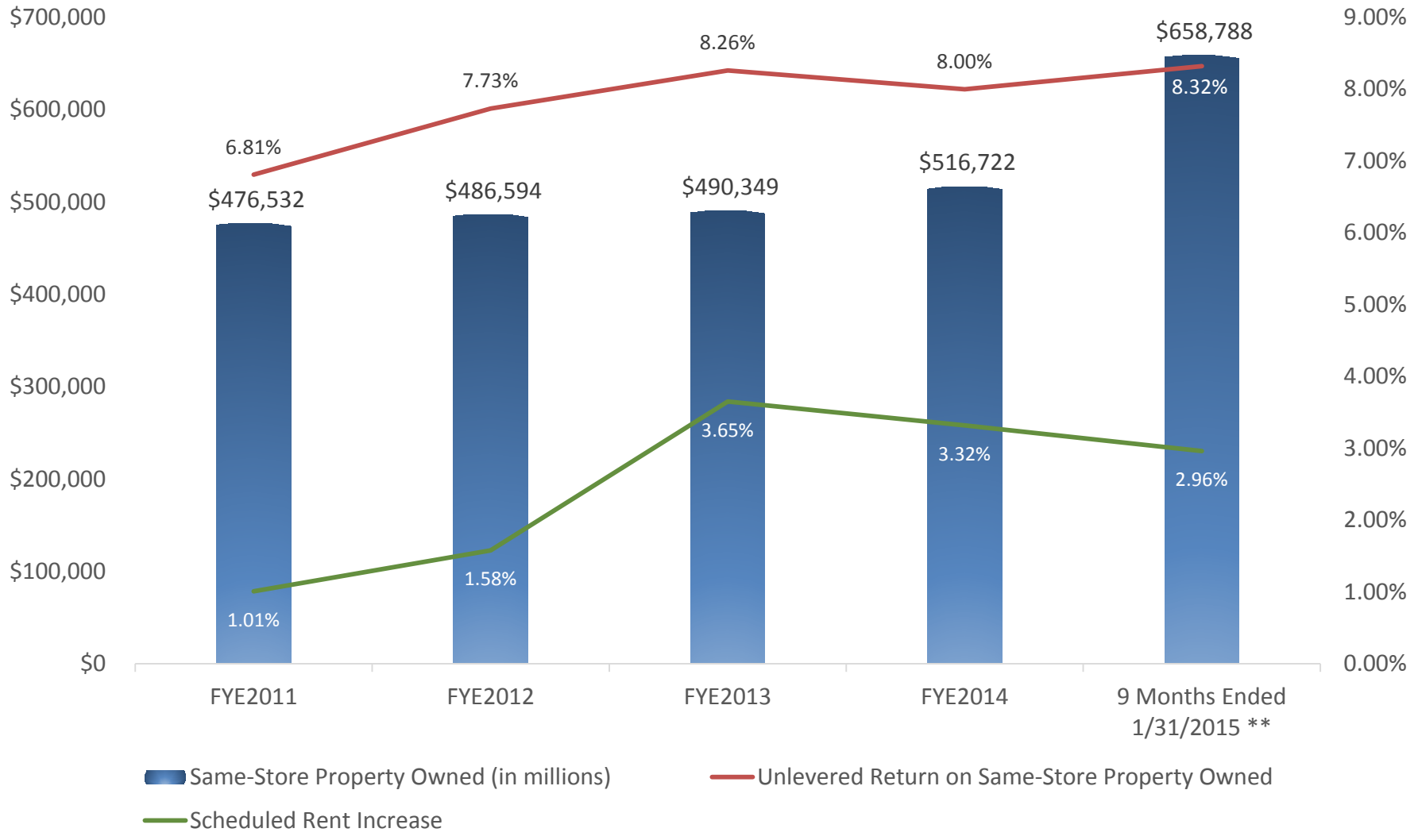



## 5 Year Average NOI Increase*




Source: Public Filings, SNL Financial

*5-year period represents years ended 12/31/10 through 12/31/14. IRET data is from fiscal years ended 04/30/11 through 04/30/14, and the nine month period ending 01/31/15 annualized.




Unaudited

*Same Store property owned amounts are representative of those properties classified as Same Store in that reporting period

**Percentages are annualized



## Renaissance Heights

IRET JV Participation | 70.0%
Williston, ND | 288 Units
Opened Spring 2014



## Cypress Court II

IRET JV Participation | 86.1%
St. Cloud, MN | 64 Units
Opened Winter 2014-15



## Northridge

Bismarck, ND | 68 Units
Opened Spring 2014
*Purchased upon completion from developer*



## Dakota Commons

Williston, ND | 44 Units
Opened Summer 2014



## Commons at Southgate

IRET JV Participation | 52.9%
Minot, ND | 233 Units
Opened Summer 2014



## Deer Ridge

Jamestown, ND | 163 Units
Opening Summer 2015



## Cardinal Point

Grand Forks, ND | 251 Units
Opening Summer 2015



## Legacy Heights

Bismarck, ND | 119 Units
Opening Spring 2015



## Chateau II

Minot, ND | 72 Units
Opening Spring 2015



## The Gardens

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



## 71 France

IRET JV Participation | 52.6%
Edina, MN | 109 Units
Opening Summer 2015



## Red 20

IRET JV Participation | 58.6 %
Minneapolis, MN | 130 Units
Opened Winter 2014-15



## 71 France | Phases II & III

IRET JV Participation | 52.6%
Edina, MN | 132 Units
P II – Opening Fall 2015
P III – Opening Summer 2016



## Arcata

Golden Valley, MN | 165 Units
Opened Winter 2014-15



Arcata entryway

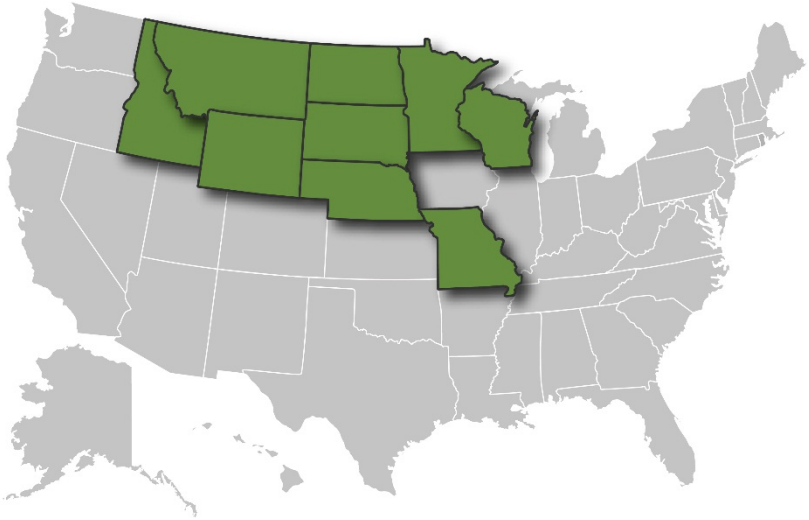


Red 20 interior



Arcata interior

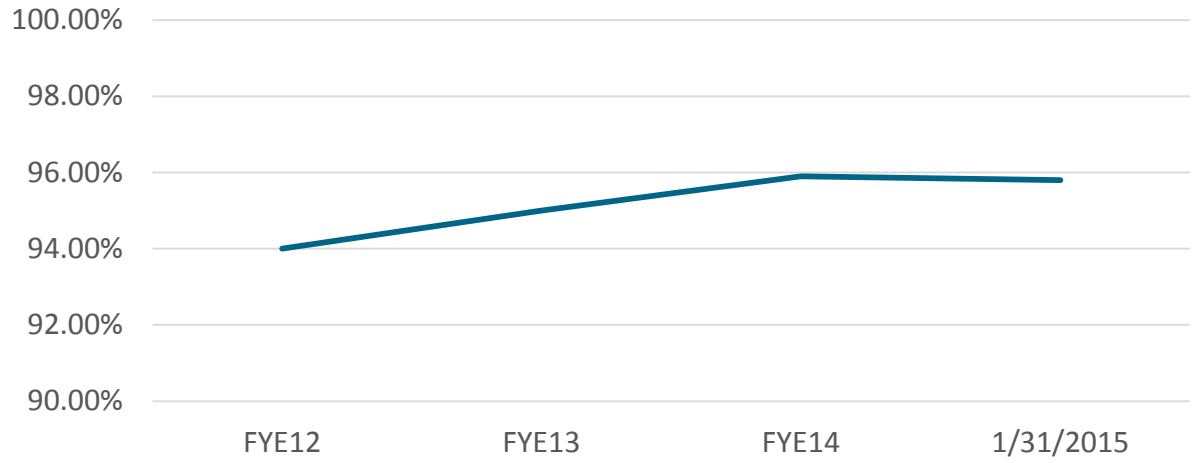
# healthcare footprint



**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

## Montana

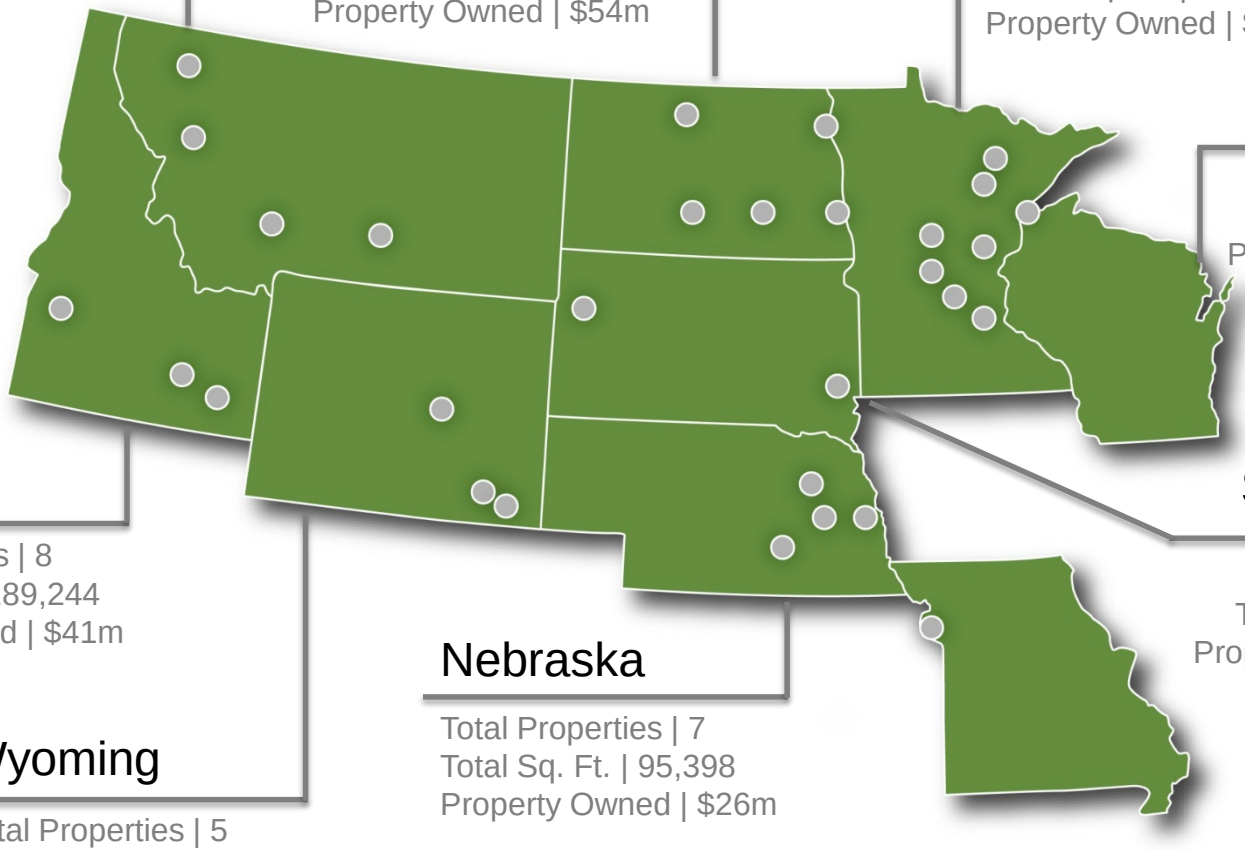
Total Properties | 6
Total Sq. Ft. | 66,782
Property Owned | $9m

## North Dakota

Total Properties | 5
Total Sq. Ft. | 420,023
Property Owned | $54m

## Minnesota

Total Properties | 32
Total Sq. Ft. | 1.8 million
Property Owned | $325m



## Wisconsin

Total Properties | 1
Total Sq. Ft. | 28,928
Property Owned | $4m

## Idaho

Total Properties | 8
Total Sq. Ft. | 189,244
Property Owned | $41m

## South Dakota

Total Properties | 2
Total Sq. Ft. | 95,926
Property Owned | $10m

## Nebraska

Total Properties | 7
Total Sq. Ft. | 95,398
Property Owned | $26m

## Wyoming

Total Properties | 5
Total Sq. Ft. | 286,854
Property Owned | $48m

## Missouri

Total Properties | 1
Total Sq. Ft. | 18,502
Property Owned | $3m



## PrairieCare Medical

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



## Spring Creek Fruitland

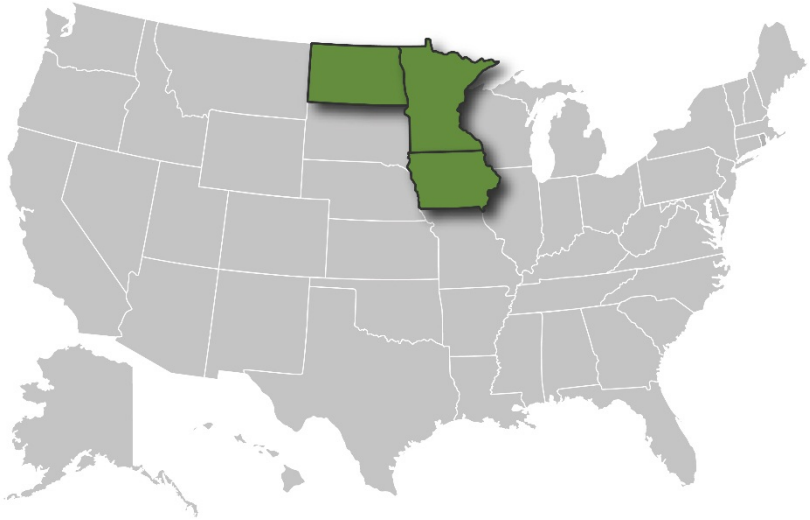
Fruitland, ID
39,222 Sq. Ft.
Opened Early 2014



## Edina SMC III

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

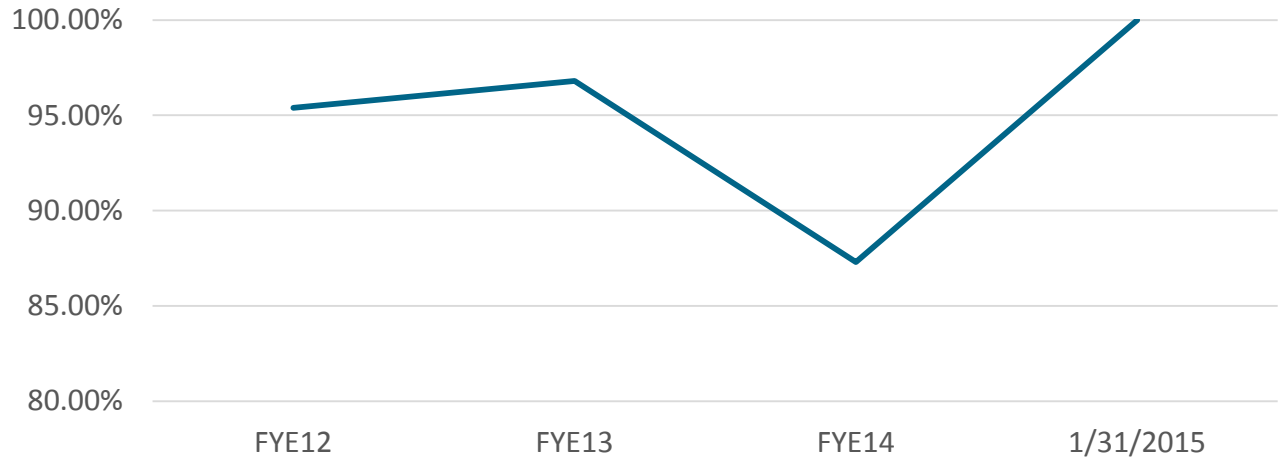
## industrial footprint



**2.4%** of portfolio

7 properties | 1.0 million Sq. Ft.

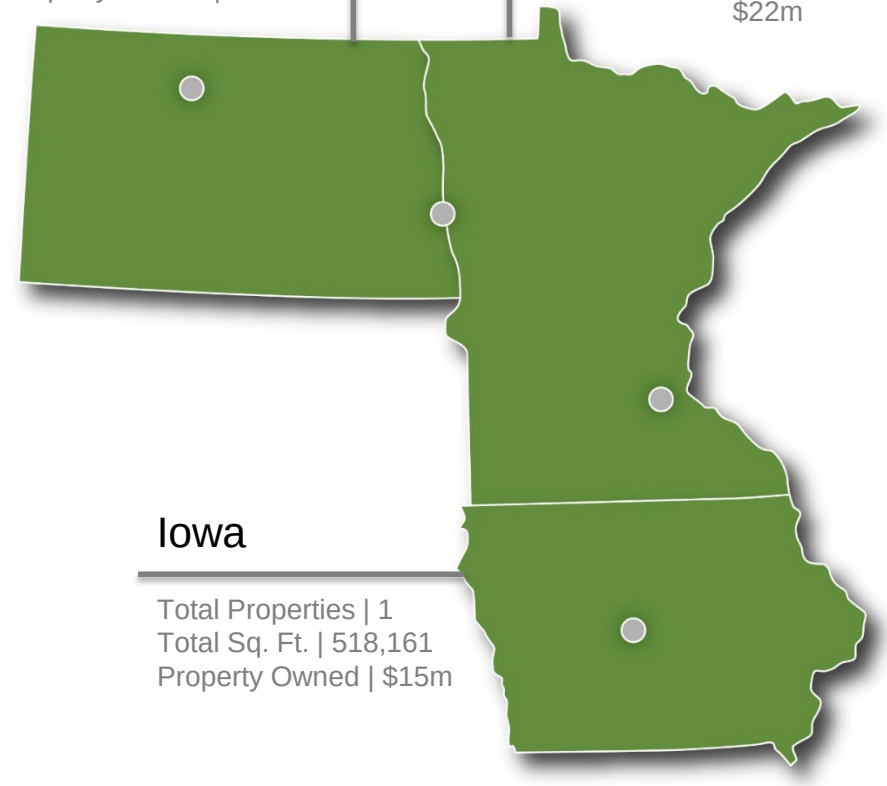
## same-store occupancy




**100.0%**

same-store occupancy

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




## developments in progress



### Roseville 3075*

Roseville, MN
202,807 Sq. Ft.
Opened Spring of 2015

*Not included in totals calculated 1/31/15. Roseville 3075 opened February 2015

| | |
|---|---|
| leadership | slide 23 |
| stock overview | slide 24 |
| funds from operations | slide 25 |
| consolidated statement of operations | slide 26 |
| condensed consolidated balance sheets | slide 27 |
| Q&A | slide 28 |
| forward-looking statement | slide 29 |



## Timothy P. Mihalick

President &
Chief Executive Officer



## 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

"We continue to execute on our growth strategy for our multifamily residential and healthcare segments, and on our disposition strategy in our commercial segments. We are pleased with the continued strength of our multifamily residential portfolio, in particular the new development projects that we have coming online in that segment, which are stabilizing with returns exceeding our projections. "

-- President and CEO Timothy Mihalick

## *stock information*

*(share data as of 3/31/15)*

IRET LISTED NYSE

$ 7.50 stock price

137,674,000 shares and units outstanding

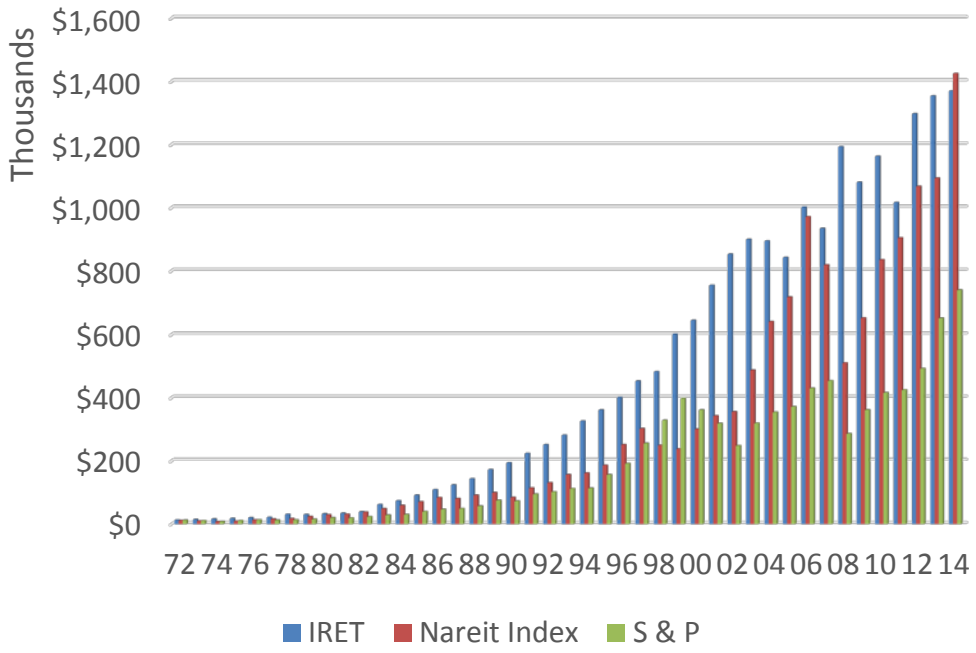
$1.03B market cap

6.9% dividend yield

$0.13 common share quarterly distribution

$0.52 annualized common share distribution

## *shareholder returns*



## 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 |

# *Q & A*

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.