IRET

Second Quarter 2016 Earnings Call

December 11, 2015



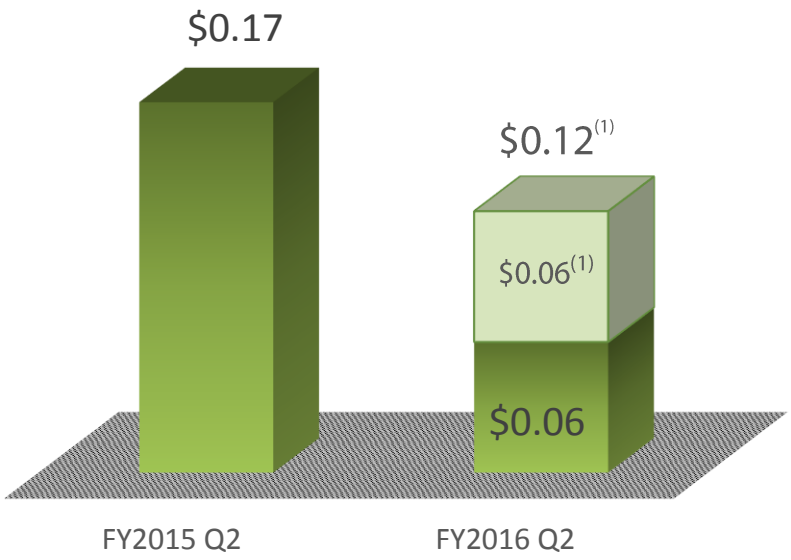
Certain statements in this presentation are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from expected results. 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 2015 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.

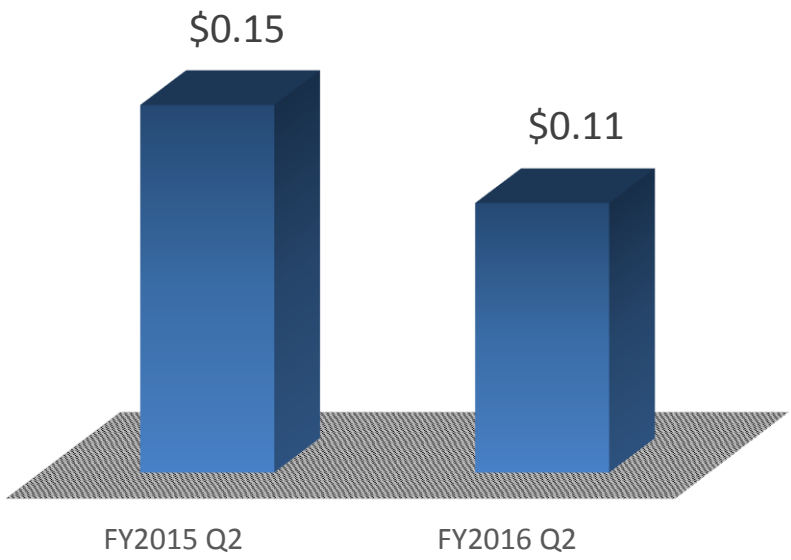
Management Objectives and Results

- ***Placed into service by end of our second fiscal quarter 2016*** – $137 million in new development
- ***Acquired by the end of our second fiscal quarter 2016*** - $72 million of new real estate properties in our core segments
- ***Share Repurchase Program*** – Board authorized $50 million
  - Repurchased 2.9 million common shares for an aggregate cost of $22 million as of 10/31/15
- ***Growth Strategy***
  - ***Place into service by end of our second fiscal quarter 2017*** - An additional $174 million in new development
  - ***Acquisitions/Developments*** – Add larger, newer, market-leading multi family assets
  - ***Value Add*** – $12 million per year of property repositioning to target rent increases
- ***Goals***
  - Provide scalability for our operating platform
  - Execute consistently higher portfolio performance
  - Drive continued earnings and cash flow growth

2Q FFO

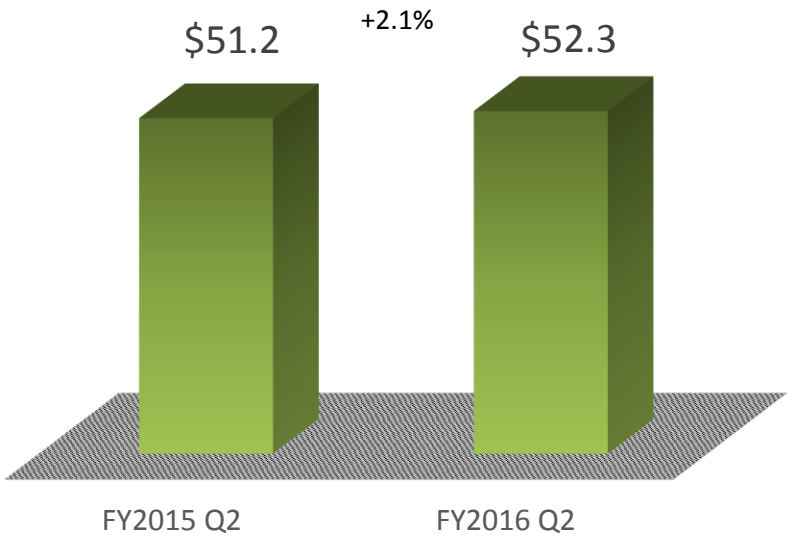


2Q AFFO

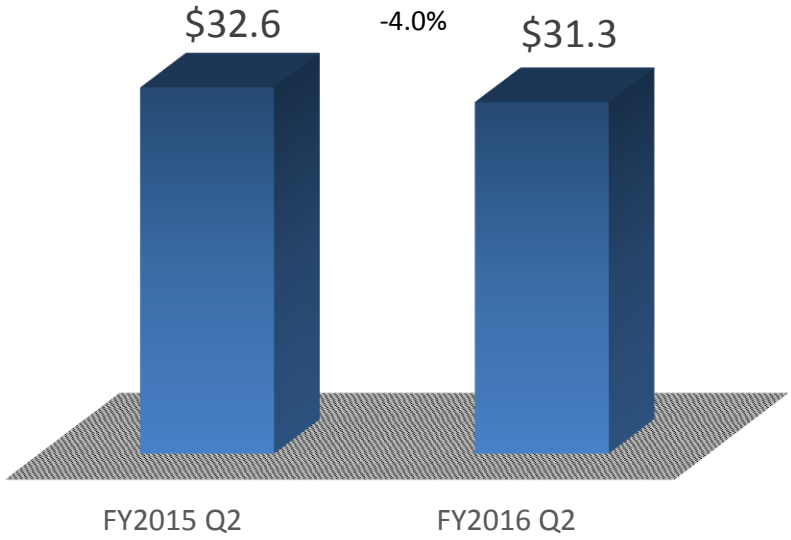


- FFO of $0.06 cents per share for the fiscal second quarter ending October 31, 2015, vs $0.17 cents per share for the comparative period a year ago
  - (1) Excluding loss on extinguishment of debt and default interest, FFO would have been $16.9 million and $0.12 per share and unit for the three months ended October 31, 2015 and $40.5 million and $0.29 per share and unit for the six months ended October 31, 2015.
- Reported AFFO at $0.11 per share for the fiscal second quarter ending October 31, 2015 vs $0.15 cents per share for the comparative period a year ago

2Q16 Revenue *(in millions)*



2Q16 Net Operating Income *(in millions)*



- Total revenue for the company for the second fiscal quarter ending October 31, 2015 was $52.3 million, an increase of 2.1% from the second quarter of the prior fiscal year

- Net Operating Income in our reporting segments for the fiscal quarter ended October 31, 2015 was $31.3 million, a decrease of 4.0% from the second quarter of the prior fiscal year

Regions	Apartment Units	FY16Q2 % of Actual NOI	FY16Q2 Average Rental Rate (1)	FY16Q2 Weighted Average Occupancy(2)	2nd Quarter Increase (Decrease) From Prior Year's 2nd Quarter				
					Revenues	Expenses	NOI	Average Rental Rate(1)	Weighted Average Occupancy(2)
Billings, MT	**770**	8.0%	**$901**	93.8%	**(3.2%)**	14.5%	**(13.8%)**	0.7%	**(3.9%)**
Bismarck, ND	**828**	10.3%	**$1,048**	93.3%	**(2.5%)**	25.1%	**(16.0%)**	2.4%	**(4.9%)**
Grand Forks, ND	**1,230**	13.1%	**$924**	95.2%	**(2.1%)**	19.5%	**(14.6%)**	1.0%	**(3.1%)**
Jamestown, ND	**81**	1.1%	**$995**	94.9%	**2.8%**	(7.7%)	**8.8%**	7.5%	**(4.7%)**
Omaha, NE	**1,562**	14.8%	**$857**	96.6%	**7.1%**	10.8%	**3.9%**	1.7%	**5.5%**
Rapid City, SD	**270**	2.2%	**$827**	96.6%	**(0.3%)**	23.7%	**(19.3%)**	1.7%	**(2.0%)**
Rochester, MN	**1,104**	14.5%	**$1,055**	96.9%	**6.4%**	8.4%	**5.0%**	3.3%	**3.0%**
Sioux Falls, SD	**777**	5.3%	**$806**	96.3%	**1.3%**	11.8%	**(11.1%)**	2.3%	**(1.0%)**
St. Cloud, MN	**1,334**	10.2%	**$844**	95.4%	**2.2%**	8.5%	**(4.9%)**	2.8%	**(0.6%)**
Topeka, KS	**1,042**	8.4%	**$758**	96.0%	**4.7%**	6.3%	**3.2%**	2.1%	**2.6%**
Same Store Subtotals	**8,998**	87.9%	**$894**	95.6%	**2.1%**	12.5%	**(6.0%)**	2.0%	**0.0%**
Minot, ND	**734**	8.9%	**$1,083**	91.7%	**(9.8%)**	30.4%	**(27.5%)**	(4.5%)	**(5.4%)**
Williston, ND	**145**	3.2%	**$2,310**	71.1%	**(36.7%)**	3.6%	**(49.4%)**	(14.5%)	**(22.2%)**
Same Store Property Totals	**9,877**	100.0%	**$923**	95.0%	**(0.7%)**	13.5%	**(10.8%)**	0.1%	**(0.8%)**

(1) Average rental rate is defined as total rental revenues divided by the weighted average occupied apartments units for the period.

(2) Weighted average occupancy is defined as gross potential rent less vacancy losses divided by gross potential rent for the period.

Regions	Apartment Units	FY16 YTD % of Actual NOI	FY16 YTD Average Rental Rate (1)	FY16 YTD Weighted Average Occupancy(2)	YTD Increase (Decrease) From Prior Year's YTD				
					Revenues	Expenses	NOI	Average Rental Rate(1)	Weighted Average Occupancy(2)
Billings, MT	**770**	7.9%	**$897**	93.7%	**(1.2%)**	5.4%	**(5.6%)**	2.3%	**(3.5%)**
Bismarck, ND	**828**	10.7%	**$1,044**	93.7%	**(1.7%)**	14.8%	**(9.8%)**	3.4%	**(5.1%)**
Grand Forks, ND	**1,230**	12.9%	**$922**	95.1%	**(1.6%)**	11.0%	**(9.6%)**	2.1%	**(3.7%)**
Jamestown, ND	**81**	1.0%	**$988**	97.0%	**4.3%**	13.9%	**(1.7%)**	6.9%	**(2.6%)**
Omaha, NE	**1,562**	14.6%	**$857**	96.4%	**7.7%**	6.5%	**8.8%**	2.1%	**5.6%**
Rapid City, SD	**270**	2.4%	**$821**	97.4%	**0.4%**	9.1%	**(6.8%)**	1.2%	**(0.8%)**
Rochester, MN	**1,104**	14.2%	**$1,051**	96.2%	**6.5%**	2.2%	**9.6%**	3.3%	**3.2%**
Sioux Falls, SD	**777**	5.8%	**$802**	96.9%	**2.5%**	4.6%	**0.0%**	2.8%	**(0.3%)**
St. Cloud, MN	**1,334**	9.5%	**$839**	94.5%	**2.9%**	9.5%	**(5.1%)**	2.7%	**0.2%**
Topeka, KS	**1,042**	8.1%	**$750**	95.2%	**3.5%**	3.0%	**3.9%**	1.1%	**2.4%**
Same Store Subtotals	**8,998**	87.1%	**$890**	95.4%	**2.6%**	7.2%	**(1.1%)**	2.4%	**0.2%**
Minot, ND	**734**	9.3%	**$1,100**	91.9%	**(8.0%)**	18.1%	**(20.4%)**	(2.0%)	**(5.9%)**
Williston, ND	**145**	3.6%	**$2,428**	75.3%	**(30.6%)**	8.6%	**(42.5%)**	(11.2%)	**(19.4%)**
Same Store Property Totals	**9,877**	100.0%	**$923**	94.8%	**0.2%**	8.0%	**(5.7%)**	0.7%	**(0.6%)**

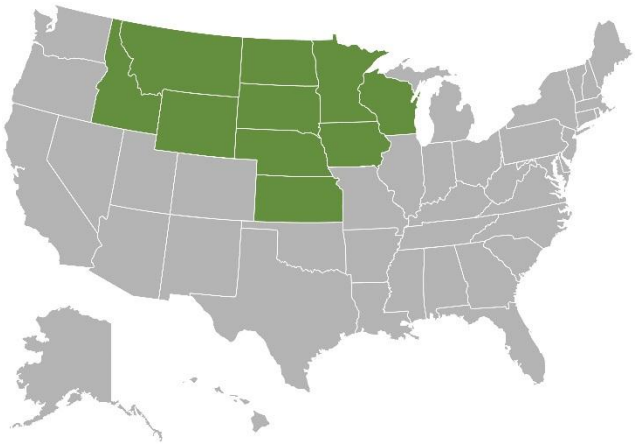
(1) Average rental rate is defined as total rental revenues divided by the weighted average occupied apartments units for the period.

(2) Weighted average occupancy is defined as gross potential rent less vacancy losses divided by gross potential rent for the period, expressed as a percentage.

$1.8 Billion of Property Held for Investment as of 10/31/15

177 properties in 10 states

12,269 apartment units



450+ Employees



Multi-family | $1,097m



Healthcare | $559m



Industrial | $61m



Other | $46m

Property Cost by Segment Held for Investment as of 10/31/15

