INVESTORS REAL ESTATE TRUST
Form 10-K
June 29, 2016
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UNITED STATES

SECURITIES AND EXCHANGE CO INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

April 30, 2016

MMISSION

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, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 001-35624

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.)

1400 31st Avenue SW, Suite 60
Post Office Box 1988
Minot, ND 58702-1988
(Address of principal executive offices) (Zip code)

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) - New York Stock Exchange

8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (no par value) -

New York Stock Exchange

7.95% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (no par value) -

New York Stock Exchange

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.

Yes 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.

Yes 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.

Yes No

Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes 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.

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.

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

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

Yes No

The aggregate market value of the Registrant's outstanding common shares of beneficial interest held by non-affiliates of the Registrant as of October 31, 2015 was $985,547,135 based on the last reported sale price on the New York Stock Exchange on October 31, 2015. For purposes of this calculation, the Registrant has assumed that its trustees and executive officers are affiliates.

The number of common shares of beneficial interest outstanding as of June 22, 2016, was 121,091,249.

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

Documents Incorporated by Reference: Portions of IRET’s definitive Proxy Statement for its 2016 Annual Meeting of Shareholders to be held on September 20, 2016 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 plans and objectives, including among other things, our future financial condition, anticipated capital expenditures, anticipated distributions and 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. Forward-looking statements are typically identified by the use of terms such as "believe," "expect," "intend," "project," "plan," "anticipate," "potential," "n "will," "designed," "estimate," "should," "continue" and other similar expressions. These statements indicate that we have usec 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 multifamily 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 multifamily and commercial tenants;
- market rental conditions, including occupancy levels and rental rates, for multifamily and commercial properties;
- our ability to identify and secure additional properties that meet our criteria for investment;
- our ability to complete construction and lease-up of our development projects on schedule and on budget;
- our ability to sell our non-core properties on terms and pricing that are acceptable;
- the level and volatility of prevailing market interest rates and the pricing of our common shares of beneficial interest;
- changes in our operating expenses;

- financing risks, such as our inability to obtain debt or equity financing on favorable terms, or at all;

- compliance with applicable laws, including those concerning the environment and access by persons with disabilities; and

- the availability and cost of casualty insurance for losses.

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.

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PART I

Item 1. Business

Overview

Investors Real Estate Trust ("we," "us," "IRET" or the "Company") is a self-advised equity Real Estate Investment Trust, or 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 through our operating partnership, IRET Properties, a North Dakota Limited Partnership ("IRET Properties" or the "Operating Partnership"). Our investments mainly consist of multifamily and healthcare properties located primarily in the upper Midwest states of Minnesota and North Dakota. For the fiscal year ended April 30, 2016, our real estate investments in these two states accounted for 73.2% of our total gross revenue. Our principal executive office is located in Minot, North Dakota. We also have corporate offices in Minneapolis and St. Cloud, Minnesota, and additional property management offices located in the states where we own properties.

In January 2015, we announced our intention to sell substantially all of our office and retail properties. During the first quarter of fiscal year 2016, we classified as held for sale and discontinued operations 48 office properties, 17 retail properties and 1 healthcare property and reduced our number of reportable segments from five to three when our office and retail segments fell below the quantitative thresholds for reporting as reportable segments due to dispositions. During the last quarter of fiscal year 2016, we further reduced our number of reportable segments from three to two due to our industrial segment not meeting the quantitative thresholds.

As of April 30, 2016, we held for investment 99 multifamily properties containing 12,950 apartment units and having a total real estate investment amount net of accumulated depreciation of $1.0 billion, and 47 commercial properties, consisting of healthcare, industrial, office and retail, containing approximately 2.9 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $333.8 million. As of April 30, 2016, we held for sale 1 multifamily property, 36 commercial properties and 3 parcels of land. On June 6, 2016, we announced our plan to move towards becoming a pure play multifamily REIT and our intention to sell our remaining commercial properties.

Our multifamily 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, 2016, no individual tenant accounted for more than 10% of our total real estate rentals, although affiliated entities of Edgewood Vista together accounted for approximately 28.4% of our total commercial minimum rents for properties held for investment and for sale.

Structure

We were organized under the laws of North Dakota on July 31, 1970, and have operated as a REIT under Sections 856-858 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") since our formation. On February 1, 1997, we were restructured as an UPREIT, and have conducted our daily business operations primarily through IRET Properties.

IRET Properties was 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 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, 2016, IRET, Inc. owned an 88.1% 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 implemented by growing income-producing assets in desired geographical markets in real estate classes we believe will provide a consistent return on investment for our shareholders.

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. 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 "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 involves investing in multifamily properties and commercial properties that are leased to single or multiple tenants, usually for five years or longer, and are located throughout the upper Midwest. Our commercial properties consist primarily of healthcare. Since January 2015, we have concentrated on multifamily and healthcare property acquisitions, and are now exploring the potential sale of our remaining commercial properties to eventually become a pure play multifamily REIT. We operate mainly within the states of North Dakota and Minnesota, although we also have real estate in Idaho, Iowa, Kansas, Montana, Nebraska, South Dakota, Wisconsin and Wyoming.

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 multifamily properties and/or commercial properties in ten 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 Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota and South Dakota. Similarly, we may invest in any type of real estate or interest in real estate, although we plan to focus new investments in multifamily properties.

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, except we may not invest in or make a mortgage loan without obtaining an appraisal concerning the value of the underlying property unless it is a loan insured or guaranteed by a government or a governmental agency. 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, 2016 and 2015, we had no junior mortgages outstanding. We had no investments in real estate mortgages at April 30, 2016 and 2015.

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.

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Policies Regarding Other Activities

Our current policies as they pertain to other activities are described as follows:

Distributions to shareholders and holders of limited partnership units. One of the requirements of the Internal Revenue Code 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. Our distributions meet these requirements. Our general policy has been to make 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. Distributions to our common shareholders and unitholders in fiscal years 2016 and 2015 totaled approximately 68.4% and 81.3%, respectively, on a per share and unit basis of our funds from operations.

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”), and on August 7, 2012, we issued 4,600,000 shares of 7.95% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series B preferred shares”). Depending on future interest rates 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 has generally been our policy to borrow up to 65.0% to 75.0% of the appraised value of all new real estate acquired or developed. In the future, we expect this policy will reflect a more conservative approach of up to 50.0% to 65% 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 Fourth Restated Trustees’ Regulations (Bylaws) (“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 generally accepted accounting principles (“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, 2016, our ratio of total indebtedness to total real estate investments was 63.6% while our ratio of total indebtedness as compared to our Net Assets (computed in accordance with our Bylaws) was 88.2%.

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 their limited partnership units are converted into common shares.

Our Declaration of Trust, as amended (our “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)		
	2016	2015	2014
Limited partnership units issued	2,559	89	361
Value at issuance, net of issue costs	$ 18,226	$ 800	$ 3,480

Acquiring or repurchasing shares. As a REIT, it is our intention to invest only in real estate assets. Our 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 Internal Revenue 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.

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During fiscal year 2016, our Board of Trustees authorized a share repurchase program of up to $50.0 million worth of our common shares, under which we repurchased 4.6 million of our outstanding common shares on the open market. We did not repurchase any of our preferred shares.

Making 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. We had no investments in real estate mortgages at April 30, 2016 and 2015.

Investing in the securities of other issuers for the purpose of exercising control. We have not engaged in, and we are not currently engaging in, investment in the securities of other issuers for the purpose of exercising control. Our 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.

Information about Segments

We currently operate in two reportable real estate segments: multifamily and healthcare. For further information on these segments and other related information, see Note 11 of our consolidated financial statements as well as Item 2 Properties and Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K.

Employees

As of April 30, 2016, we had 483 employees, of whom 432 were full-time and 54 were part-time. 58 of these employees were corporate staff located in our Minot, North Dakota and Minneapolis, Minnesota offices, and 428 were property management employees based either at our properties or in local property management offices.

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, personal injuries and 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.

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Competition

Investing in and operating real estate is a very competitive business. We compete with other owners and developers of multifamily 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 multifamily 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 for 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 may be 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

Our Board of Trustees has adopted various policies and initiatives to strengthen our corporate governance and increase the transparency of financial reporting. Each of the committees of the Board of Trustees operates under written charters, and our independent trustees meet regularly in executive sessions at which only the independent trustees are present. The Board of Trustees has adopted a Code of Conduct applicable to trustees, officers and employees; adopted a Code of Ethics for Senior Financial Officers; and has established processes for shareholders and all interested parties for communication with the Board of Trustees.

Additionally, our 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 our 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 us by our independent registered public accounting firm.

We will disclose any amendment to our Code of Ethics for Senior Financial officers on our website. In the event we waive compliance with the Code of Ethics or Code of Conduct by any of our trustees or officers, we 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/Financial Reporting section of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits 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 reports 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 and Governance Committees of our Board of Trustees are also available on our website under the “Corporate Governance” tab under the Investor Relations/Corporate Overview 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 58702-1988. Information on our website does not constitute part of this Annual Report on Form 10-K.

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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 multifamily and commercial properties;

· local real estate market conditions, such as oversupply or reduction in demand for multifamily and commercial 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, terrorist acts or acts of war which may result in uninsured or underinsured losses; and

- decreases in the underlying value of our real estate.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. Government, may adversely affect our business. We depend on the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) for financing for many of our multifamily properties. Fannie Mae and Freddie Mac are U.S. Government-sponsored entities, or GSEs, but their guarantees are not backed by the full faith and credit of the United States. In September 2008, Fannie Mae and Freddie Mac were placed in federal conservatorship. The problems faced by Fannie Mae and Freddie Mac resulting in their being placed into federal conservatorship stirred debate among some federal policy makers regarding the continued role of the U.S. Government in providing liquidity for the residential mortgage market. It is unclear how future legislation may impact Fannie Mae and Freddie Mac's involvement in multifamily financing. The scope and nature of the actions that the U.S. Government may undertake with respect to the future of Fannie Mae and Freddie Mac are unknown and will continue to evolve. It is possible that each of Fannie Mae and Freddie Mac could be dissolved and the U.S. Government could decide to stop providing liquidity support of any kind to the multifamily mortgage market. Future legislation could further change the relationship between Fannie Mae and Freddie Mac and the U.S. Government, and could also nationalize or eliminate such GSEs entirely. Any law affecting these GSEs may create market uncertainty and have the effect of reducing the credit available for financing multifamily properties. The loss or reduction of this important source of credit would be likely to result in higher loan costs for us, and could result in inability to borrow or refinance maturing debt, all of which could materially adversely affect our business, operations and financial condition.

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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 to quickly and efficiently 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 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, 2016, we received approximately 73.2% 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, 2016, approximately 1,189 of our 12,974 apartment units, or 9.2%, were vacant. Approximately 159,000 square feet, or 10.6% of our healthcare property square footage, was vacant. As of April 30, 2016, leases covering approximately 8.4% of our healthcare properties net rentable square footage will expire in fiscal year 2017, 15.0% in fiscal year 2018, 14.2% in fiscal year 2019, 4.9% in fiscal year 2020 and 7.9% in fiscal year 2021, assuming that none of the tenants exercise future renewal options and excluding the effect of early renewals completed on existing leases.

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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 change our portfolio of properties quickly in response to our strategic plan and 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. Under certain circumstances, the Internal Revenue Code imposes certain penalties on a REIT that sells property held for less than two years and limits the number of properties it can sell in a given year. 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. These considerations impact our decisions on whether or not to dispose of certain of our assets.

Capital markets and economic conditions can materially affect our financial condition and results of operations, the value of our equity securities, and our ability to sustain payment of our distribution at current levels. Many factors affect the value of our equity securities and our ability to make or maintain at current levels distributions to the holders of our shares of beneficial interest, including the state of the capital markets and the economy, which in recent years have negatively affected substantially all businesses, including ours. Demand for office, industrial, and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. The availability of credit has been and may in the future again be adversely affected by illiquid credit markets. Regulatory pressures and the burden of troubled and uncollectible loans led some lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers. If these market conditions recur, they may limit our ability and the ability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs, which may materially affect our financial condition and results of operations and the value of our equity securities. Declining rental revenues from our properties due to persistent negative economic conditions may have a material adverse effect on our ability to make distributions to the holders of our shares of beneficial interest. In fiscal years 2016 and 2015, distributions to our common shareholders and unitholders of IRET Properties in cash and common shares pursuant to our Distribution Reinvestment and Share Purchase Plan (DRIP) totaled approximately 107.2% and 61.9%, respectively, of our net cash

provided by operating activities.

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Inability to manage rapid growth effectively may adversely affect our operating results. We have experienced significant growth at various times in the past, principally through the acquisition of additional real estate properties. Subject to our 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 rapid growth presents challenges, including:

- the need to expand our management team and staff;
- the need to enhance internal operating systems and controls; 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. Additionally, an inability to make accretive property acquisitions may adversely affect our ability to increase our net income. The acquisition of additional real estate properties is critical to our ability to increase our net income. If we are unable 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 net income may be materially and adversely affected. 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.

High leverage on our overall portfolio may result in losses. As of April 30, 2016, our ratio of total indebtedness to total Net Assets (as defined in our Bylaws, which usage is not in accordance with GAAP) was approximately 88.2%. “Net Assets” under our Bylaws mean our total assets at cost before deducting depreciation or other non-cash reserves, less total liabilities. As of April 30, 2015 and 2014, our percentage of total indebtedness to total Net Assets was approximately 97.8% and 93.3%, respectively. Under our Bylaws, we may increase our total indebtedness up to 300.0% of our Net Assets, or by an additional approximately $3.1 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 securities 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 or decrease distributions to 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 have a limited ability 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 risks 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.

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These risks increase when credit markets are tight. 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, and we will need to refinance a significant 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 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 or refinance the debt at maturity, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, including taking ownership of the property, all with a consequent loss of 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.

As of April 30, 2016, approximately 17.0% of our mortgage debt, including mortgage debt on properties held for sale, is due for repayment in fiscal year 2017. As of April 30, 2016, we had approximately $150.7 million of principal payments and approximately $38.8 million of interest payments due in fiscal year 2017 on fixed and v1ariable-rate mortgages secured by our real estate. Additionally, as of April 30, 2016, we had $17.5 million outstanding under our $100.0 million multi-bank line of credit, which has a maturity date of September 1, 2017.

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, 2016, $196.8 million, or approximately 22.2%, of the principal amount of our total mortgage indebtedness was subject to variable interest rates agreements, and approximately 91.2% of the principal amount of our total construction loan indebtedness was subject to variable interest rates. Additionally, our $100.0 million multi-bank line of credit bears interest at a rate of 1.25% over the Wall Street Journal Prime Rate, with a floor of 4.75% and a cap of 8.65%. 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.

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.

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We have significant investments in healthcare 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 healthcare properties (including senior housing). As of April 30, 2016, our real estate portfolio held for investment included 31 healthcare properties, with a total real estate investment amount, net of accumulated depreciation, of $254.4 million, or approximately 18.6% of the total real estate investment amount, net of accumulated depreciation, of our entire real estate portfolio held for investment. Additionally, as of April 30, 2016, we held for sale 34 senior housing properties. The healthcare industry continues to experience 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 healthcare 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 healthcare 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.

New federal healthcare reform laws may adversely affect the operators and tenants of our healthcare (including senior housing) properties. In March 2010, the President signed into law The Patient Protection and Affordable Care Act (“PPACA”) and The Health Care and Education and Reconciliation Act of 2010 (the “Reconciliation Act”), which amends the PPACA (collectively, the “Health Care Reform Acts”). The Health Care Reform Acts contain various provisions that may affect us directly as an employer, and that may affect the operators and tenants of healthcare (including senior housing) properties. While some of the provisions of these laws may have a positive impact on operators’ or tenants’ revenues, by increasing coverage of uninsured individuals, other provisions may have a negative effect on operator or tenant reimbursements, for example by changing the “market basket” adjustments for certain types of healthcare facilities. The Health Care Reform Acts also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants in the event of one or more violations of complex federal healthcare laws. Additionally, provisions in the Health Care Reform Acts may affect the health coverage that we and our operators and tenants provide to our respective employees. We currently cannot predict the impact that this far-reaching, landmark legislation will have on our business and the businesses and operations of our tenants. Any loss of revenues and/or additional expenditures incurred by us or by operators and tenants of our properties as a result of the Health Care Reform Acts could adversely affect our cash flow and results of operations and have a material adverse effect on 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 multifamily 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

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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.

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The level of oil and gas drilling in the Bakken Shale Formation has declined substantially and has adversely impacted our apartments in western North Dakota. This condition could persist for an extended period of time. We have ownership interests in three apartment projects totaling 477 units in Williston, ND, the heart of the Bakken Shale Formation. The economy of Williston is significantly dependent on the oil and gas industry. To date we have experienced significant increased vacancy and a material decrease in our rents. We also have ownership interests in 1,039 units in Minot, ND that to a lesser extent have experienced declines in occupancy and rent rates. Oil drilling and production are impacted by factors beyond our control, including: the demand for and prices of crude oil and natural gas; environmental regulation and enforcement; producers' finding and development costs of reserves; producers' desire and ability to obtain necessary permits in a timely and economic manner; oil and natural gas field characteristics and production performance; and transportation and capacity constraints on natural gas, crude oil and natural gas liquids pipelines from the producing areas. Oil field activity could decline further in North Dakota as a result of any or all of these factors, which could have a material adverse effect on our western North Dakota properties. In addition, we have various mortgage loans on assets in western North Dakota with various operating income covenant requirements. Compliance with such covenants may be at risk if the material reductions in rents and vacancies continue. We do not believe these mortgage loans to be material to our operations, but if we are unable to comply with such covenants, we could be required to pay down such loans or seek a remedy with an escrow to relieve debt service payments.

Risks related to properties under construction or development may adversely affect our financial performance. Our development and construction activities involve significant risks that may adversely affect our cash flow and results of operations, and consequently 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 connection with our renovation, redevelopment, development and related construction activities, we may be unable to obtain, or may suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. These denials or delays could result in increased costs or our abandonment of projects. In addition, we may not be able to obtain financing on favorable terms, which may prevent us from proceeding with our development activities, and we may not be able to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs. Additionally, the time required for development, construction and lease-up means that we may have to wait years for significant cash returns. Because we are required to make cash distributions to our shareholders, if our cash flow from operations or refinancings is not sufficient, we may be forced to borrow additional money to fund such distributions.

Newly developed properties may not produce the cash flow that we expect, which could adversely affect our overall financial performance. In deciding whether to develop a particular property, we make assumptions regarding the expected future performance of that property. In particular, we estimate the return on our investment based on expected occupancy and rental rates. If our financial projections with respect to a new property are inaccurate, and the property is unable to achieve the expected occupancy and rental rates, it may fail to perform as we had expected. Our estimate of the costs of repositioning or redeveloping an acquired property may also prove to be inaccurate, which may result in our failure to meet our profitability goals.

Risks related to joint ventures may adversely affect our financial performance and results of operations. We have entered into, and may continue in the future to enter into, partnerships or joint ventures with other persons or entities. Joint venture investments involve risks that may not be present with other methods of ownership, including the

possibility: that our partner might become insolvent, refuse to make capital contributions when due or otherwise fail to meet its obligations, which may result in certain liabilities to us for guarantees and other commitments; that our partner might at any time have economic or other business interests or goals that are or become inconsistent with our interests or goals; that we could become engaged in a dispute with our partner, which could require us to expend additional resources to resolve such disputes and could have an adverse impact on the operations and profitability of the joint venture; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. In addition, our ability to transfer our interest in a joint venture to a third party may be restricted. In some instances, we and/or our partner may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction. Our ability to acquire our partner's interest may be limited if we do not have sufficient cash, available borrowing capacity or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it. Joint ventures may require us to share decision-making authority with our partners, which could limit our ability to control the properties in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval, such as the sale, acquisition or financing of a property.

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We face risks associated with security breaches through cyber-attacks, cyber intrusions, or otherwise, which could pose a risk to our systems, networks and services. We face risks associated with security breaches or disruptions, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to emails, or persons inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. In the normal course of business, we and our service providers (including service providers engaged in providing web hosting, property management, leasing, accounting and/or payroll software/services) collect and retain certain personal information provided by our tenants, employees and vendors. We also rely extensively on computer systems to process transactions and manage our business. While we and our service providers employ a variety of data security measures to protect confidential information on our systems and periodically review and improve our data security measures, we cannot assure that we or our service providers will be able to prevent unauthorized access to this personal information. There can be no assurance that our efforts to maintain the security and integrity of the information we and our service providers collect and our and their computer systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we and our service providers may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us and our service providers to entirely mitigate this risk. A security breach or other significant disruption involving computer networks and related systems could cause substantial costs and other negative measures including litigation, remediation costs, costs to deploy additional protection strategies, compromising of confidential information, and reputational damage adversely affecting investor confidence, which could adversely impact our financial condition.

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 certain passive 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 securities 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 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 regular corporate rates, could be subject to increased state and local taxes and, unless entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost our qualification, 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. This treatment would reduce funds available for investment or distributions to the holders of

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our securities 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 securities. To the extent that distributions to the holders of our securities 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 (such as a publicly-traded partnership 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 and value of the outstanding 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 Declaration of Trust may limit a change in control and deter a takeover. In order to maintain our qualification as a REIT, our Declaration of Trust provides that any transaction, other than a transaction entered into through the NASDAQ National 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 securities, (ii) less than 100 people owning our securities, (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 securities 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 securities 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 securities 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 securities.

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.

Complying with REIT requirements may force us to forego otherwise attractive opportunities or liquidate otherwise attractive investments. To qualify and maintain our status as a REIT, we must satisfy certain requirements with respect to the character of our assets. If we fail to comply with these requirements at the end of any quarter, we must correct such failure within 30 days after the end of the quarter (by, possibly, selling assets notwithstanding their prospects as an investment) to avoid losing our REIT status. If we fail to comply with these requirements at the end of any quarter, and the failure exceeds a minimum threshold, we nonetheless may be able to preserve our REIT status if (a) the failure was due to reasonable cause and not to willful neglect, (b) we dispose of the assets causing the failure within six months after the last day of the quarter in which we identified the failure, (c) we file a schedule with the Internal Revenue Service describing each asset that caused the failure, and (d) we pay an additional tax of the greater of $50,000 or the product of

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the highest applicable tax rate multiplied by the net income generated on those assets. As a result, compliance with the REIT requirements may require us to liquidate or forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow. Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. Any of these taxes would decrease cash available for distribution to our shareholders.

The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions that would be treated as sales for federal income tax purposes. The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a “prohibited transaction” that is subject to a 100% penalty tax. Under current law, unless a sale of real property qualifies for a safe harbor, the question of whether the sale of a property constitutes the sale of property held primarily for sale to customers is generally a question of the facts and circumstances regarding a particular transaction. We may make sales that do not satisfy the requirements of the safe harbors or the IRS may successfully assert that one or more of our sales are prohibited transactions and, therefore we may be required to pay a penalty tax. To avert this penalty tax, we may hold some of our assets through a taxable REIT subsidiary (“TRS”). While the TRS structure would allow the economic benefits of ownership to flow to us, a TRS is subject to tax on its income from the operations of an assisted living facility at the federal and state level. In addition, a TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. We currently have one TRS, to which we lease our Legends at Heritage Place assisted living facility, located in Sartell, Minnesota.

Because of the ownership structure of our Sartell, Minnesota assisted living facility, we face potential adverse effects from changes to the applicable tax laws. Under the Internal Revenue Code, REITs are not allowed to operate assisted living facilities directly or indirectly. Accordingly, we lease our Sartell, Minnesota assisted living facility to our TRS. While the TRS structure allows the economic benefits of ownership to flow to us, the TRS is subject to tax on its income from the operations of the assisted living facilities at the federal and state level. In addition, the TRS is subject to detailed tax regulations that affect how it may be capitalized and operated. If the tax laws applicable to a TRS are modified, we may be forced to modify the structure for owning these assisted living facilities, and such changes may adversely affect the cash flows from the facilities. In addition, the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, and we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such actions may prospectively or retroactively modify the tax treatment of the TRS and, therefore, may adversely affect our after-tax returns from our Sartell, Minnesota assisted living facility.

The lease of qualified health care properties to a taxable REIT subsidiary is subject to special requirements. We currently lease our Sartell, Minnesota assisted living facility to a TRS, and we may in the future lease other qualified health care properties we acquire from operators to a TRS (or a limited liability company of which the TRS is a

member), which lessee will contract with such operators (or a related party) to operate the health care operations at these properties. The rents from this TRS lessee structure will be treated as qualifying rents from real property if (1) they are paid pursuant to an arms-length lease of a qualified health care property with a TRS and (2) the operator qualifies as an eligible independent contractor. If any of these conditions are not satisfied, then the rents will not be qualifying rents, which could have a material adverse effect on us and our qualification as a REIT.

Recent tax legislation impacts certain federal income tax rules applicable to REITs and could adversely affect our current tax positions. The recently enacted Protecting Americans from Tax Hikes Act of 2015 (the “PATH Act”) contains changes to certain aspects of the federal income tax rules applicable to us. The PATH Act is a recent example of changes to the REIT rules, and additional legislative changes may occur that could adversely affect our current tax positions. The PATH Act modifies various rules that apply to our ownership of, and business relationship with, our TRS and reduces the maximum allowable value of our assets attributable to TRSs from 25% to 20% which could impact our ability to enter into future investments. It expands prohibited transaction safe harbors and qualifying hedges and repeals the preferential dividend rule for public REITs. The PATH Act also adjusts the way we may calculate certain earnings and profit calculations to avoid double taxation at the shareholder level, and expands the types of qualifying assets and income for purposes of the REIT requirements. The provisions enacted by the PATH Act could result in changes in our

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tax positions or investments, and future legislative changes related to those rules described above could have a materially adverse impact on our results of operations and financial condition.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common shares. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or the market price of our common shares of beneficial interest.

The U.S. federal income tax laws governing REITs are complex. We intend to operate in a manner that will qualify us as a REIT under the U.S. federal income tax laws. The REIT qualification requirements are extremely complex, however, and interpretations of the U.S. federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will continue to qualify as a REIT. At any time, new laws, interpretations or court decisions may change the federal tax laws or the U.S. federal income tax consequences of our qualification as a REIT.

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, including the issuance of common shares in connection with redemption requests for limited partnership units, will dilute the interests of the current holders of our common shares. Additionally, sales of substantial amounts of our common or preferred shares in the public market, or substantial issuances of our common shares in connection with redemption requests for limited partnership units, 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.

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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 shareholders taxed at individual rates is a maximum rate of 20%. 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 shareholders taxed at individual rates will generally be subject to the tax rates that are otherwise applicable to ordinary income. Although the earnings of a REIT that are distributed to its shareholders are still generally subject to less federal income taxation than earnings of a non-REIT C corporation that are distributed to its shareholders net of corporate-level income tax, this law change may make an investment in our securities 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 securities. 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, Series B preferred shares and any other securities 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 securities, and low trading volume on the New York Stock Exchange may prevent the timely resale of our securities. 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 New York Stock Exchange, 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, 2015 through April 30, 2016 was 558,328 shares and the average monthly trading volume for the period of May 1, 2015 through April 30, 2016 was 11,724,894 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

We are organized as a REIT under Section 856-858 of the Internal Revenue Code, and are structured as an UPREIT, through which we conduct 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.

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Total Real Estate Rental Revenue

As of April 30, 2016, our real estate portfolio held for investment consisted of 99 multifamily, 31 healthcare and 16 other properties, comprising 74.0%, 20.1% and 5.9%, 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, 2016. 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:

	Gross Revenue (in thousands)						
Fiscal Year Ended April 30,	Multifamily	%	Healthcare	%	All Other	%	Total
2016	$ 131,149	69.7%	$ 45,621	24.2%	$ 11,550	6.1 %	$ 188,320
2015	$ 118,526	66.1%	$ 44,153	24.6%	$ 16,642	9.3 %	$ 179,321
2014	$ 102,059	62.0%	$ 44,098	26.8%	$ 18,433	11.2%	$ 164,590

Average Effective Annual Rent

The table below sets out the average effective annual rent per unit or square foot at same-store properties for each of the last five fiscal years in each of our two segments. Same-store properties are properties owned or in service for the entirety of the periods being compared, and, in the case of development or re-development properties, which have achieved a target level of occupancy of 90% for multifamily properties and 85% for healthcare properties.

	Average Effective Annual Rent per unit or square foot(1)				
As of April 30,	2016	2015	2014	2013	2012
Multifamily(2)	$ 844	$ 829	$ 783	$ 744	$ 719
Healthcare(3)	$ 20	$ 16	$ 17	$ 16	$ 16

(1) Previously reported amounts are not revised for discontinued operations or changes in the composition of the same-store properties pool.
(2) Monthly rent per unit, calculated as annualized rental revenue, net of free rent, including rent abatements and rent credits, divided by the occupied units as of April 30.
(3) Monthly rental rate per square foot calculated as annualized contractual base rental income, net of free rent and excluding operating expense reimbursements, divided by the leased square feet as of April 30.

Occupancy Rates

Occupancy represents the actual number of units or square footage leased divided by the total number of units or square footage at the end of the period. Occupancy levels on a same-store property and all-property basis are shown below for each property type in each of the three most recent fiscal years ended April 30. In the case of multifamily properties, lease arrangements with individual tenants vary from month-to-month to one-year leases. Leases on healthcare properties generally vary from month-to-month to 20 years.

Occupancy Levels on a Same-Store Property and All Property Basis:

Segments	Same-Store Properties Fiscal Year Ended April 30,			All Properties Fiscal Year Ended April 30,		
	2016	2015	2014	2016	2015	2014
Multifamily	94.8 %	95.1 %	93.4 %	90.8 %	92.0 %	93.0 %
Healthcare	95.6 %	95.3 %	92.2 %	89.4 %	91.5 %	92.5 %

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 liability companies, 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.

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Management and Leasing of Our Real Estate Assets

We conduct our corporate operations from offices in Minot, North Dakota and Minneapolis and St. Cloud, Minnesota. We also have property management offices located in the states where we own properties. The day-to-day management of our properties is carried out by our own employees and in certain cases by third-party property 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. For example, during the fourth quarter of fiscal year 2015, we had transferred the property management of the majority of our office and retail properties to a third-party company as part of our plan to sell those assets. 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. 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

	(in thousands, except percentages)					
As of April 30,	2016	%	2015	%	2014	%
Real estate investments						
Property owned	$ 1,681,471		$ 1,335,687		$ 1,241,195	
Less accumulated depreciation	(312,889)		(279,417)		(273,935)	
	$ 1,368,582	95.0 %	$ 1,056,270	85.5 %	$ 967,260	88.4 %
Development in progress	51,681	3.6 %	153,994	12.4 %	104,609	9.6 %
Unimproved land	20,939	1.4 %	25,827	2.1 %	22,864	2.0 %
Total real estate investments	$ 1,441,202	100.0%	$ 1,236,091	100.0%	$ 1,094,733	100.0%

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Summary of Individual Properties Owned as of April 30, 2016

The following table presents information regarding our 146 multifamily, healthcare and other properties held for investment, as well as unimproved land, development properties and properties held for sale as of April 30, 2016. 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. Additional information is included in Schedule III to our financial statements included in this Annual Report on Form 10-K.

Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2016
MULTIFAMILY			
71 France - Edina, MN	181	$ 41,339	53.0%
11th Street 3 Plex - Minot, ND	3	84	66.7%
4th Street 4 Plex - Minot, ND	4	126	100.0%
Alps Park - Rapid City, SD	71	6,081	100.0%
Apartments on Main - Minot, ND	10	1,340	100.0%
Arbors - S Sioux City, NE	192	9,094	100.0%
Arcata - Golden Valley, MN	165	32,759	86.7%
Ashland - Grand Forks, ND	84	8,512	92.9%
Avalon Cove - Rochester, MN	187	35,699	95.7%
Boulder Court - Eagan, MN	115	9,573	100.0%
Brookfield Village - Topeka, KS	160	8,825	99.4%
Brooklyn Heights - Minot, ND	72	2,574	95.8%
Canyon Lake - Rapid City, SD	109	6,011	96.3%
Cardinal Point - Grand Forks, ND	251	49,772	44.2%
Cascade Shores - Rochester, MN	90	18,295	93.3%
Castlerock - Billings, MT	166	7,881	90.4%
Chateau I & II - Minot, ND	104	21,126	84.6%
Cimarron Hills - Omaha, NE	234	14,760	95.3%
Colonial Villa - Burnsville, MN	240	22,107	91.7%
Colony - Lincoln, NE	232	18,186	98.7%
Colton Heights - Minot, ND	18	1,193	83.3%
Commons at Southgate - Minot, ND	233	36,623	95.3%
Cottage West Twin Homes - Sioux Falls, SD	50	5,225	100.0%
Cottonwood - Bismarck, ND	268	22,279	84.3%

Country Meadows - Billings, MT	133	9,953	92.5%
Crestview - Bismarck, ND	152	6,378	98.7%
Crown - Rochester, MN	48	3,825	97.9%
Crown Colony - Topeka, KS	220	13,206	94.5%
Crystal Bay - Rochester, MN	76	11,858	94.7%
Cypress Court - St. Cloud, MN	196	20,624	96.4%

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Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2016
Dakota Commons - Williston, ND	44	10,517	86.4%
Deer Ridge - Jamestown, ND	163	24,897	50.9%
Evergreen - Isanti, MN	36	3,262	100.0%
Evergreen II - Isanti, MN	36	3,567	100.0%
Fairmont - Minot, ND	12	481	100.0%
First Avenue - Minot, ND	20	3,067	90.0%
Forest Park - Grand Forks, ND	269	14,135	93.7%
French Creek - Rochester, MN	40	4,936	100.0%
Gables Townhomes - Sioux Falls, SD	24	2,463	100.0%
Gardens - Grand Forks, ND	74	9,291	100.0%
Grand Gateway - St. Cloud, MN	116	9,019	95.7%
GrandeVille at Cascade Lake - Rochester, MN	276	55,586	74.6%
Greenfield - Omaha, NE	96	5,635	97.9%
Heritage Manor - Rochester, MN	182	10,286	98.4%
Homestead Garden - Rapid City, SD	152	15,076	99.3%
Indian Hills - Sioux City, IA	120	7,148	99.2%
Kirkwood Manor - Bismarck, ND	108	4,941	88.0%
Lakeside Village - Lincoln, NE	208	17,672	93.3%
Landing at Southgate - Minot, ND	108	17,399	89.8%
Landmark - Grand Forks, ND	90	2,852	97.8%
Legacy - Grand Forks, ND	360	30,594	92.2%
Legacy Heights - Bismarck, ND	119	15,174	74.8%
Mariposa - Topeka, KS	54	6,074	98.1%
Meadows - Jamestown, ND	81	6,629	87.7%
Monticello Village - Monticello, MN	60	4,849	95.0%
Northern Valley - Rochester, MN	16	860	100.0%
North Pointe - Bismarck, ND	73	5,068	86.3%
Northridge - Bismarck, ND	68	8,496	94.1%
Oakmont Estates - Sioux Falls, SD	79	5,981	98.7%
Oakwood Estates - Sioux Falls, SD	160	7,797	96.9%
Olympic Village - Billings, MT	274	14,917	86.5%
Olympik Village - Rochester, MN	140	9,458	94.3%
Oxbow Park - Sioux Falls, SD	120	6,734	96.7%
Park Meadows - Waite Park, MN	360	17,836	95.0%
Pebble Springs - Bismarck, ND	16	937	93.8%
Pinehurst - Billings, MT	21	1,119	85.7%
Pines - Minot, ND	16	437	100.0%
Plaza - Minot, ND	71	16,268	98.6%
Pointe West - Rapid City, SD	90	5,452	94.4%
Ponds at Heritage Place - Sartell, MN	58	5,359	100.0%
Prairie Winds - Sioux Falls, SD	48	2,535	91.7%
Quarry Ridge - Rochester, MN	313	33,968	99.0%

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Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2016
Red 20 - Minneapolis, MN	130	28,606	94.6%
Regency Park Estates - St. Cloud, MN	145	12,660	96.6%
Renaissance Heights - Williston, ND	288	62,800	43.8%
Ridge Oaks - Sioux City, IA	132	6,783	97.7%
Rimrock West - Billings, MT	78	5,525	96.2%
River Ridge - Bismarck, ND	146	25,706	95.2%
Rocky Meadows - Billings, MT	98	7,819	98.0%
Rum River - Isanti, MN	72	5,935	100.0%
Sherwood - Topeka, KS	300	19,231	96.7%
Sierra Vista - Sioux Falls, SD	44	2,815	95.5%
Silver Springs - Rapid City, SD	52	3,572	98.1%
South Pointe - Minot, ND	196	13,934	87.8%
Southpoint - Grand Forks, ND	96	10,564	96.9%
Southview - Minot, ND	24	1,089	87.5%
Southwind - Grand Forks, ND	164	8,724	98.8%
Summit Park - Minot, ND	95	3,906	89.5%
Sunset Trail - Rochester, MN	146	16,076	91.8%
Temple - Minot, ND	4	234	100.0%
Terrace Heights - Minot, ND	16	489	93.8%
Thomasbrook - Lincoln, NE	264	14,484	97.0%
Valley Park - Grand Forks, ND	167	8,098	97.0%
Villa West - Topeka, KS	308	18,502	97.7%
Village Green - Rochester, MN	36	3,539	100.0%
West Stonehill - Waite Park, MN	312	17,542	96.2%
Westridge - Minot, ND	33	2,264	97.0%
Westwood Park - Bismarck, ND	65	4,000	96.9%
Whispering Ridge - Omaha, NE	336	28,588	98.5%
Williston Garden - Williston, ND	145	19,311	66.2%
Winchester - Rochester, MN	115	8,247	95.7%
Woodridge - Rochester, MN	108	8,786	99.1%
TOTAL MULTIFAMILY	12,950	$ 1,243,909	90.8%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2016
HEALTHCARE			
2800 Medical Building - Minneapolis, MN	53,603	$ 9,886	85.6%
2828 Chicago Avenue - Minneapolis, MN	56,239	17,325	100.0%
Airport Medical - Bloomington, MN*	24,218	4,729	100.0%
Billings 2300 Grant Road - Billings, MT	14,705	1,865	100.0%
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN	53,896	10,050	100.0%
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN	36,199	6,537	92.9%
Denfeld Clinic - Duluth, MN	20,512	3,099	100.0%
Eagan 1440 Duckwood Medical - Eagan, MN	17,640	2,624	100.0%
Edina 6363 France Medical - Edina, MN*	70,934	15,994	100.0%
Edina 6405 France Medical - Edina, MN*	55,478	12,458	100.0%
Edina 6517 Drew Avenue - Edina, MN	12,140	1,040	100.0%
Edina 6525 Drew Avenue - Edina, MN	3,431	505	100.0%
Edina 6525 France SMC II - Edina, MN	67,409	14,965	95.1%
Edina 6545 France SMC I - Edina MN*	227,626	48,055	91.5%
Edina 6565 France SMC III - Edina, MN	57,624	34,233	24.5%
Fresenius - Duluth, MN	9,052	1,572	100.0%
Garden View - St. Paul, MN*	43,404	8,480	100.0%
Gateway Clinic - Sandstone, MN*	12,444	1,776	100.0%
Healtheast St John & Woodwinds - Maplewood & Woodbury, MN	114,316	21,601	100.0%
High Pointe Health Campus - Lake Elmo, MN	60,558	14,007	75.5%
Lakeside Medical Plaza - Omaha, NE	27,819	6,113	100.0%
Mariner Clinic - Superior, WI*	28,928	4,056	100.0%
Minneapolis 701 25th Avenue Medical - Minneapolis, MN*	57,212	9,439	92.0%
Missoula 3050 Great Northern - Missoula, MT	14,640	1,971	100.0%
Park Dental - Brooklyn Center, MN	9,998	2,967	100.0%
Pavilion I - Duluth, MN*	45,081	10,174	100.0%
Pavilion II - Duluth, MN	73,000	19,325	100.0%
PrairieCare Medical - Brooklyn Park, MN	70,756	24,440	100.0%
Ritchie Medical Plaza - St Paul, MN	52,116	13,529	92.9%
St Michael Clinic - St Michael, MN	10,796	2,851	100.0%
Trinity at Plaza 16 - Minot, ND	24,795	9,593	100.0%
Wells Clinic - Hibbing, MN	18,810	2,661	100.0%
TOTAL HEALTHCARE	1,445,379	$ 337,920	94.9%

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Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2016
OTHER			
1st Avenue Building - Minot, ND	4,427	$ 367	100.0%
17 South Main - Minot, ND	2,454	287	100.0%
Bismarck 715 East Broadway - Bismarck, ND	22,187	2,798	100.0%
Bloomington 2000 W 94th Street - Bloomington, MN	101,567	7,473	100.0%
Dakota West Plaza - Minot , ND	16,921	615	78.0%
Grand Forks Carmike - Grand Forks, ND	28,528	2,546	100.0%
Lexington Commerce Center - Eagan, MN	90,260	6,882	100.0%
Minot 1400 31st Ave - Minot, ND	48,960	11,573	76.3%
Minot 2505 16th Street SW - Minot, ND	15,000	2,318	100.0%
Minot Arrowhead - Minot, ND	81,594	8,870	96.0%
Minot IPS - Minot, ND	27,698	6,368	100.0%
Minot Southgate Wells Fargo Bank - Minot, ND	4,998	3,229	100.0%
Minot Southgate Retail - Minot, ND	7,963	2,623	- %
Plaza 16 - Minot, ND	50,610	9,693	100.0%
Roseville 3075 Long Lake Road - Roseville, MN	220,557	12,825	83.6%
Urbandale 3900 106th Street - Urbandale, IA	518,161	15,555	100.0%
Woodbury 1865 Woodlane - Woodbury, MN	69,600	5,620	100.0%
TOTAL OTHER	1,311,485	$ 99,642	95.8%
SUBTOTAL	2,769,814	$ 1,681,471	

Property Name and Location	(in thousands) Investment (initial cost plus improvements less impairment)
UNIMPROVED LAND	
Badger Hills - Rochester, MN	$ 1,050
Bismarck 4916 - Bismarck, ND	3,267
Bismarck 700 E Main - Bismarck, ND	882
Creekside Crossing - Bismarck, ND	4,352
Grand Forks - Grand Forks, ND	4,278
Isanti Unimproved - Isanti, MN	58
Minot 1525 24th Ave SW - Minot, ND	1,262
Rapid City Unimproved- Rapid City, SD	1,376
Renaissance Heights - Williston, ND	3,930
Urbandale - Urbandale, IA	114
Weston - Weston, WI	370

TOTAL UNIMPROVED LAND		$	20,939
DEVELOPMENT IN PROGRESS			
71-France - Edina, MN			30,415
Monticello 7th Addition - Monticello, MN			17,507
Other			3,759
TOTAL DEVELOPMENT IN PROGRESS		$	51,681
TOTAL UNITS - MULTIFAMILY	12,950		
TOTAL SQUARE FOOTAGE - COMMERCIAL	2,769,814		
TOTAL REAL ESTATE		$	1,754,091

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Property Name and Location	Approximate Net Rentable Square Footage or Units	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2016
HELD FOR SALE			
Casper 1930 E 12th Street (Park Place) - Casper, WY(2)	65,160	7,515	100.0%
Casper 3955 E 12th Street (Meadow Wind) - Casper, WY(2)	57,822	12,582	100.0%
Cheyenne 4010 N College Drive (Aspen Wind) - Cheyenne, WY(2)	47,509	13,143	100.0%
Cheyenne 4606 N College Drive (Sierra Hills) - Cheyenne, WY(2)	54,072	9,618	100.0%
Edgewood Vista - Belgrade, MT(2)	5,192	1,943	100.0%
Edgewood Vista - Billings, MT(2)	11,800	3,915	100.0%
Edgewood Vista - Bismarck, ND(2)	74,112	10,722	100.0%
Edgewood Vista - Brainerd, MN(2)	82,535	10,502	100.0%
Edgewood Vista - Columbus, NE(2)	5,194	1,398	100.0%
Edgewood Vista - East Grand Forks, MN(2)	18,488	4,506	100.0%
Edgewood Vista - Fargo, ND(2)	167,391	25,677	100.0%
Edgewood Vista - Fremont, NE(2)	6,042	605	100.0%
Edgewood Vista - Grand Island, NE(2)	5,185	1,346	100.0%
Edgewood Vista - Hastings, NE(2)	6,042	628	100.0%
Edgewood Vista - Hermantown I, MN(2)	119,349	20,253	100.0%
Edgewood Vista - Hermantown II, MN(2)	160,485	12,178	100.0%
Edgewood Vista - Kalispell, MT(2)	10,295	1,197	100.0%
Edgewood Vista - Minot, ND(2)	108,503	15,440	100.0%
Edgewood Vista - Missoula, MT(2)	10,150	1,035	100.0%
Edgewood Vista - Norfolk, NE(2)	5,135	1,258	100.0%
Edgewood Vista - Omaha, NE(2)	6,042	691	100.0%
Edgewood Vista - Sioux Falls, SD(2)	11,800	3,042	100.0%
Edgewood Vista - Spearfish, SD(2)	84,126	9,563	100.0%
Edgewood Vista - Virginia, MN(2)	147,183	16,650	100.0%
Georgetown Square - Grand Chute, WI	n/a	250	n/a
Laramie 1072 N 22nd Street (Spring Wind) - Laramie, WY(2)	62,291	11,853	100.0%
Legends at Heritage Place - Sartell, MN(2)	98,174	10,890	100.0%
Legends at Heritage Place - Sartell, MN	n/a	537	n/a
Pinecone Villas - Sartell, MN	24	2,822	100.0%
Sartell 2000 23rd Street South - Sartell, MN(2)	59,760	6,400	- %
Spring Creek-American Falls - American Falls, ID(2)	17,273	4,070	100.0%
Spring Creek-Boise - Boise, ID(2)	16,311	5,075	100.0%
Spring Creek-Eagle - Eagle, ID(2)	15,559	4,100	100.0%
Spring Creek-Fruitland - Fruitland, ID(2)	39,500	7,115	100.0%
Spring Creek Fruitland - Fruitland, ID	n/a	339	n/a
Spring Creek-Meridian - Meridian, ID(2)	31,820	7,250	100.0%
Spring Creek-Overland - Overland, ID(2)	26,605	6,725	100.0%
Spring Creek-Soda Springs - Soda Springs, ID(2)	15,571	2,253	100.0%
Spring Creek-Ustick - Meridian, ID(2)	26,605	4,300	100.0%

Stone Container - Fargo, ND	195,075	7,141	100.0%
TOTAL HELD FOR SALE		266,527	
TOTAL UNITS	24		
TOTAL SQUARE FOOTAGE	1,874,156		

(1) Real estate not owned in fee; all or a portion is leased under a ground or air rights lease.
(2) Properties classified as discontinued operations.

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Mortgages Payable and Line of Credit

As of April 30, 2016, mortgage loans on the above properties, including properties held for sale, totaled $886.1 million. Of this amount, on April 30, 2016, $196.8 million, or 22.2%, 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. As of April 30, 2016, our management believes there are no material defaults or material compliance issues in regards to any of these mortgages payable. Principal payments due on our mortgage indebtedness are as follows:

	(in thousands)	
Fiscal Year Ended April 30,	Mortgages on Properties Held for Investment	Mortgages on Properties Held for Sale
2017	$ 102,636	$ 48,046
2018	54,931	1,106
2019	144,436	6,921
2020	103,537	612
2021	154,389	4,901
Thereafter	257,395	7,237
Total	$ 817,324	$ 68,823

We also have a revolving, multi-bank line of credit with First International Bank and Trust, Watford City, North Dakota (“First International Bank”), as lead bank. The line of credit has lending commitments of $100.0 million, a current interest rate of 4.75%, a maturity date of September 1, 2017 and a minimum outstanding principal balance requirement of $17.5 million, and is secured by mortgages on 17 properties. Under the terms of the line of credit, properties may be added and removed from the collateral pool with the agreement of the lenders. As of April 30, 2016, participants included, in addition to First International Bank, the following financial institutions: The Bank of North Dakota, First Western Bank and Trust, Dacotah Bank, United Community Bank, American State Bank & Trust Company, Town & Country Credit Union, Highland Bank and United Bankers’ Bank. As of April 30, 2016, our outstanding principal balance under the line of credit was $17.5 million.

The line of credit includes covenants and restrictions requiring us to achieve on a calendar quarter basis a debt service coverage ratio on borrowing base collateral of 1.25x in the aggregate and 1.00x on individual assets in the collateral pool, and we are also required to maintain minimum depository account(s) totaling $6.0 million with First International Bank, of which $1.5 million is to be held in a non-interest bearing account. As of April 30, 2016, we believe we are in compliance with the covenants under the line of credit.

Future Minimum Lease Receipts

The future minimum lease receipts to be received under leases in place as of April 30, 2016 at healthcare properties held for investment, assuming that no options to renew or buy out the leases are exercised, are as follows:

Fiscal Year Ended April 30,	(in thousands) Lease Payments
2017	28,558
2018	26,235
2019	22,289
2020	18,423
2021	17,216
Thereafter	112,551
Total	$ 225,272

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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. In addition, we have launched a value add program whereby we will commit an estimated $3.5 million per quarter to rehab 4,000 units. Under this program, apartments will be remodeled as the leases expire and upgrades will include a variety of new appliances, flooring, lighting, kitchen cabinets, and bathroom upgrades. For the year ended April 30, 2016, excluding discontinued operations, we spent approximately $34.6 million on capital improvements, tenant improvements and other capital expenditures.

We define recurring capital expenditures as those made on a regular or recurring basis to maintain a property's competitive position within its market, generally with a depreciable life of 5 to 12 years, but excluding (a) capital expenditures made in the year of acquisition and in subsequent periods until the property is classified as same-store (i.e., excluding capital expenditures on non-same-store properties), (b) improvements associated with the expansion or re-development of a building, (c) renovations to a building which change the underlying classification of the building or (d) capital improvements that represent the addition of something new to a property, rather than the replacement of an existing item. We believe that recurring capital expenditures is a useful measure of performance because it provides an indication of the expenses that we can expect to incur on an on-going basis. Non-recurring capital expenditures correspond to major capital expenditures for items such as roof replacements or items that result in something new being added to the property (for example, the addition of a new heating and air conditioning unit that is not replacing one previously there), generally with a depreciable life of 20 to 40 years, and include expenditures completed in the year of acquisition and in subsequent periods until the property is classified as same-store (i.e., including capital expenditures on non-same-store properties). The following table shows total and weighted average per square foot/unit recurring and non-recurring capital expenditures (excluding capital expenditures recoverable from tenants and capital expenditures at properties sold or classified as held for sale during the period), and, for our same-store healthcare segment, tenant improvements (excluding tenant-funded tenant improvements) and leasing costs, for the three years ended April 30, 2016, 2015 and 2014.

	(in thousands except per SF or Unit data)					
	Years Ended April 30,					
	2016		2015		2014	
	Amount	Cost/SF or Unit	Amount	Cost/SF or Unit	Amount	Cost/SF or Unit
Multifamily Properties:						
Recurring capital expenditures	$ 5,553	$ 564	$ 5,444	$ 550	$ 4,956	$ 589
Non-recurring capital expenditures, excluding value add expenditures	9,083	701	9,663	815	11,355	1,053
Value add expenditures(1)	4,463	7,553	—	—	——	—
Healthcare Properties:						

Non-Recoverable Capital Expenditures						
Recurring capital expenditures	$ —	$ —	$ 691	$ 0.24	$ —	$ —
Non-recurring capital expenditures	77	0.05	821	0.28	612	0.20
Tenant improvements at same-store properties	1,073	0.83	1,427	0.50	3,235	1.11
Leasing costs at same-store properties	554	0.43	353	0.12	518	0.18

(1) Amount represents total spent on completed and in-progress units during the period. Cost per unit represents the average amount spent on completed units during the period.

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Contracts or Options to Purchase

We have granted options to purchase certain of our properties to tenants under their lease agreements. 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, 2016, our properties subject to purchase options are as follows:

	(in thousands)			
		Gross Rental Revenue		
	Investment			
Property	Cost	2016	2015	2014
Billings 2300 Grant Road - Billings, MT	$ 2,522	$ 327	$ 318	$ 308
Missoula 3050 Great Northern - Missoula, MT	2,723	352	343	332
Sartell 2000 23rd Street South - Sartell, MN	8,298	0	141	357
Spring Creek American Falls- American Falls, ID(1)	4,070	352	352	352
Spring Creek Boise - Boise, ID(1)	5,075	440	440	440
Spring Creek Eagle - Eagle, ID(1)	4,100	356	356	356
Spring Creek Fruitland - Fruitland, ID(1)	7,115	608	606	141
Spring Creek Meridian - Meridian, ID(1)	7,250	624	624	624
Spring Creek Overland - Overland, ID(1)	6,725	580	580	580
Spring Creek Soda Springs - Soda Springs, ID(1)	2,253	196	196	196
Spring Creek Ustick - Meridian, ID(1)	4,300	368	368	368
St. Michael Clinic - St. Michael, MN	2,851	256	253	252
Urbandale - Urbandale, IA	15,555	1,594	1,573	1,541
PrairieCare – Brooklyn Park, MN	24,408	1,564	0	0
Total	$ 97,245	$ 7,617	$ 6,150	$ 5,847

(1) Subsequent to fiscal year end, the tenant in our Spring Creek senior housing portfolio exercised its option to purchase the properties for a sale price of $43.5 million. These are our only senior housing properties that have purchase options and they were classified as held for sale at April 30, 2016.

Properties by State

The following table presents, as of April 30, 2016, the total amount of property held for investment, net of accumulated depreciation, by state:

(in thousands)

State	Multifamily	Healthcare	Other	Total	% of Total
Minnesota	$ 396,035	$ 233,456	$ 26,492	$ 655,983	47.9 %
North Dakota	409,495	8,544	40,374	458,413	33.5 %
Nebraska	88,830	6,021	—	94,851	6.9 %
South Dakota	53,207	—	—	53,207	3.9 %
Kansas	47,874	—	—	47,874	3.5 %
Montana	29,349	3,467	—	32,816	2.4 %
Iowa	9,963	—	12,601	22,564	1.7 %
Wisconsin	—	2,874	—	2,874	0.2 %
Total	$ 1,034,753	$ 254,362	$ 79,467	$ 1,368,582	100.0 %

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. Mine Safety Disclosures

Not Applicable

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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 New York Stock Exchange ("NYSE") under the symbol "IRET." The following table shows the high and low sales prices for our common shares for the periods indicated, as reported by the NYSE, 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 2016			
April 30, 2016	$ 7.48	$ 5.97	$ 0.1300
January 31, 2016	8.39	6.24	0.1300
October 31, 2015	8.16	6.51	0.1300
July 31, 2015	7.44	6.93	0.1300

Quarter Ended	High	Low	Distributions Declared (per share and unit)
Fiscal Year 2015			
April 30, 2015	$ 8.31	$ 7.09	$ 0.1300
January 31, 2015	8.60	8.05	0.1300
October 31, 2014	8.59	7.49	0.1300
July 31, 2014	9.21	8.52	0.1300

It is our 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, we have paid quarterly cash distributions in the months of January, April, July and October.

Shareholders

As of June 22, 2016, there were approximately 3,644 common shareholders of record.

Unregistered Sales of Shares

Under the terms of IRET Properties' Agreement of Limited Partnership, limited partners have the right to require the IRET Properties to redeem their limited partnership units for cash any time following the first anniversary of the date they acquired such units ("Exchange Right"). When a limited partner exercises the Exchange Right, we have the right, in our sole discretion, to acquire such units by either making a cash payment or exchanging the units for our common shares, on a one-for-one basis. The Exchange Right is subject to certain conditions and limitations, including the limited partner may not exercise the Exchange Right more than two times during a calendar year and the limited partner may not exercise for less than 1,000 units, or, if such limited partner holds less than 1,000 units, for less than all of the units held by such limited partner. IRET Properties and some limited partners have contractually agreed to a holding period of greater than one year, a greater number of redemptions during a calendar year or other limitations to their Exchange Right.

During the fiscal years ended April 30, 2016, 2015 and 2014, respectively, we issued an aggregate of 36,156, 471,800 and 254,948 unregistered common shares to limited partners of IRET Properties upon exercise of their Exchange Rights regarding an equal number of units. All such issuances of our common shares were exempt from registration as private placements under Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder. We have registered the resale of such common shares under the Securities Act.

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Issuer Purchases of Shares

Our Board of Trustees has authorized a share repurchase program of up to $50.0 million worth of our common shares over a one year period. Effective September 14, 2015 and December 15, 2015, as part of the implementation of the program, we established written trading plans (“Plans”) that provide for share repurchases in open market transactions for $25.0 million and $10.0 million, respectively, which are intended to comply with Rule 10b5-1 under the Securities Exchange Act. The extent to which common shares are repurchased and the timing of such repurchases will depend upon a variety of factors, including prevailing market conditions, regulatory requirements and other factors. The program does not obligate us to repurchase any specific number of shares and may be suspended at any time in our discretion. We did not repurchase any of our common shares during the fourth quarter of fiscal year 2016.

Comparative Stock Performance

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

Set forth below is a graph that compares, for the five fiscal years commencing May 1, 2011 and ending April 30, 2016, the cumulative total returns for our common shares with the comparable cumulative total return of two indexes, the Standard & Poor’s 500 Index (“S&P 500”) and the FTSE NAREIT Equity REITs Index, the latter of which is an index prepared by the FTSE Group for the National Association of Real Estate Investment Trusts, which includes all tax-qualified equity REITs listed on the NYSE, the American Stock Exchange and the NASDAQ Market.

The performance graph assumes that at the close of trading on April 30, 2011, the last trading day of fiscal year 2011, $100 was invested in our common shares and in each of the indexes. The comparison assumes the reinvestment of all distributions. Cumulative total shareholder returns for our common shares, the S&P 500 and the FTSE NAREIT Equity REITs Index are based on our fiscal year ending April 30.

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	FY11	FY12	FY13	FY14	FY15	FY16
Investors Real Estate Trust	100.00	82.26	117.93	112.39	98.48	89.02
S&P 500	100.00	104.76	122.45	147.48	166.62	168.63
FTSE NAREIT Equity REITs	100.00	109.81	131.28	132.42	150.15	161.96

Source: SNL Financial LC

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Item 6. Selected Financial Data

Set forth below is selected financial data on a historical basis 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)				
	2016	2015	2014	2013	2012
Consolidated Income Statement Data					
Revenue	$ 188,320	$ 179,321	$ 164,590	$ 149,572	$ 130,110
Impairment of real estate investments in continuing and discontinued operations	$ 5,983	$ 6,105	$ 44,426	$ —	$ —
Gain on debt extinguishment	$ 29,230	$ —	$ —	$ —	$ —
Gain (loss) on sale of discontinued operations and real estate and other investments	$ 9,640	$ 6,093	$ (51)	$ —	$ —
Income from continuing operations	$ 19,280	$ 19,506	$ 5,898	$ 12,275	$ 2,890
Income (loss) from discontinued operations	$ 57,322	$ 9,178	$ (22,838)	$ 17,697	$ 6,816
Net income (loss)	$ 76,602	$ 28,684	$ (16,940)	$ 29,972	$ 9,706
Net (income) loss attributable to noncontrolling interests – Operating Partnership	$ (7,032)	$ (1,526)	$ 4,676	$ (3,633)	$ (1,359)
Net income (loss) attributable to Investors Real Estate Trust	$ 72,006	$ 24,087	$ (13,174)	$ 25,530	$ 8,212
Consolidated Balance Sheet Data					
Total real estate investments	$ 1,441,202	$ 1,236,091	$ 1,094,733	$ 1,046,933	$ 916,200
Total assets	$ 1,760,177	$ 1,997,837	$ 1,869,221	$ 1,889,554	$ 1,714,367
Mortgages payable	$ 817,324	$ 596,965	$ 604,844	$ 638,439	$ 596,106
Revolving lines of credit	$ 17,500	$ 60,500	$ 22,500	$ 10,000	$ 39,000
Total Investors Real Estate Trust shareholders’ equity	$ 618,758	$ 652,110	$ 592,184	$ 612,787	$ 432,989
Consolidated Per Common Share Data (basic and diluted)					
Income (loss) from continuing operations - Investors Real Estate Trust	$ 0.08	$ 0.04	$ (0.05)	$ 0.02	$ 0.00
Income (loss) from discontinued operations - Investors Real Estate Trust	$ 0.41	$ 0.07	$ (0.18)	$ 0.15	$ 0.07
Net income (loss)	$ 0.49	$ 0.11	$ (0.23)	$ 0.17	$ 0.07

Distributions	$ 0.52	$ 0.52	$ 0.52	$ 0.52	$ 0.56

CALENDAR YEAR	2015	2014	2013	2012	2011
Tax status of distributions					
Capital gain	11.99%	23.09%	3.09 %	2.41 %	37.48%
Ordinary income	36.28%	25.74%	28.41%	23.17%	18.04%
Return of capital	51.73%	51.17%	68.50%	74.42%	44.48%

For the fiscal year ended April 30, 2016, we recognized approximately $55.2 million of net capital gain for federal income tax purposes. We designate the entire $55.2 million of net capital gain as capital gain dividends.

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

The following discussion and analysis 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, 2016.

Overview

We are a self-advised equity REIT engaged in owning and operating income-producing real properties. Our investments include multifamily, healthcare and other properties located primarily in the upper Midwest states of Minnesota and North Dakota.

In January 2015, we announced our intention to sell substantially all of our office and retail properties. During the first quarter of fiscal year 2016, we classified as held for sale and discontinued operations 48 office properties, 17 retail properties and 1 healthcare property and reduced our number of reportable segments from five to three when our office and retail segments fell below the quantitative thresholds for reporting as reportable segments due to dispositions. During the last quarter of fiscal year 2016, we further reduced our number of reportable segments from three to two due to our industrial segment not meeting the quantitative thresholds.

As of April 30, 2016, we held for investment 99 multifamily properties containing 12,950 apartment units and having a total real estate investment amount net of accumulated depreciation of $1.0 billion, and 47 commercial properties, consisting of healthcare, industrial, office and retail, containing approximately 2.9 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of $333.8 million. As of April 30, 2016, we held for sale 1 multifamily property, 36 commercial properties and 3 parcels of land.

Our primary source of income and cash is rents associated with multifamily and commercial leases. Our business objective is to increase shareholder value by employing a disciplined investment strategy. This strategy is implemented by growing income-producing assets in desired geographical markets in real estate classes we believe will provide a consistent return on investment for our shareholders. We have paid quarterly distributions continuously since our first distribution in 1971.

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 management. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. We use 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, we assess 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 consider whether there were significant intangible assets acquired (for example, above-and below-market leases, the value of acquired in-place leases and tenant relationships) and assumed liabilities, and allocate 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. 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 a relative fair value allocation if acquired in a merger or in a portfolio acquisition.

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Other intangible assets acquired include amounts for in-place lease values that are based upon our evaluation of the specific characteristics of the leases. Factors considered in the fair value analysis include an estimate of carrying costs and foregone rental income during hypothetical expected lease-up periods, consideration of current market conditions and costs to execute similar leases. We also consider information about each property obtained during our pre-acquisition due diligence, marketing and leasing activities in estimating the relative fair value of the tangible and intangible assets acquired.

We follow the real estate project costs guidance in ASC 970, Real Estate – General in accounting for the costs of development and re-development projects. As real estate is undergoing development or redevelopment, all project costs directly associated with and attributable to the development and construction of a project, including interest expense and real estate tax expense, are capitalized to the cost of the real property. The capitalization period begins when development activities and expenditures begin and ends upon completion, which is when the asset is ready for its intended use. Generally, rental property is considered substantially complete and ready for its intended use upon completion of tenant improvements (in the case of commercial properties) or upon issuance of a certificate of occupancy (in the case of multifamily properties). General and administrative costs are expensed as incurred.

Property sales or dispositions are recorded when title transfers, we receive sufficient consideration and we have no significant continuing involvement with the property sold.

Real Estate Held For Sale. Properties are classified as held for sale when they meet the necessary criteria, which include: (a) management, having the authority to approve the action, commits to a plan to sell the asset and (b) the sale of the asset is probable and expected to be completed within one year. We generally consider these criteria met when the transaction has been approved by our Board of Directors, there are no known significant contingencies related to the sale and management believes it is probable that the sale will be completed within one year. Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal costs. Depreciation is not recorded on assets classified as held for sale.

Prior to February 1, 2014, we reported in discontinued operations the results of operations and the related gains or losses of properties that had either been disposed of or classified as held for sale and otherwise met the classification of a discontinued operation. Effective February 1, 2014, we adopted Accounting Standards Update (“ASU”) 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under this standard, a disposal (or classification as held for sale) of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results.

As a result of the adoption of ASU No. 2014-08, results of operations and gains or losses on sale for properties that are disposed or classified as held for sale in the ordinary course of business on or subsequent to February 1, 2014 would generally be included in continuing operations on our consolidated statements of operations, to the extent such

disposals did not meet the criteria for classification as a discontinued operation described above.

Impairment. We periodically evaluate our long-lived assets, including our investments in real estate, for impairment indicators. The impairment evaluation is performed on assets by property such that assets for a property form an asset group. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset group and legal and environmental concerns. If indicators exist, we compare the expected future undiscounted cash flows for the long-lived asset group against the carrying amount of that asset group. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset group, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset group. If our anticipated holding period for properties, the estimated fair value of properties or other factors change based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

Allowance for Doubtful Accounts. We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts (approximately $97,000 as of April 30, 2016) for estimated losses resulting from the

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inability of tenants to make required payments under their respective lease agreements. We also maintain an allowance for deferred rents receivable arising from the straight-lining of rents (approximately $333,000 as of April 30, 2016). 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, reported results would be impacted.

Revenue Recognition. We have 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, we record a receivable from tenants for rents that we expect to collect over the remaining lease term as deferred rents receivable. When we acquire 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 healthcare tenant leases which are contingent upon the gross revenue of the tenant exceeding a defined threshold. These rents are recognized only after the contingency has been removed (i.e., gross revenue 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. We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code. 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. We intend to distribute to our shareholders 100% of our taxable income. Therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our shareholders, we would fail to qualify as a REIT and substantial adverse tax consequences may result.

We have one TRS, acquired during fiscal year 2014, which is subject to corporate federal and state income taxes on its taxable income at regular statutory rates. For fiscal year 2016, we estimate that the TRS will have no taxable income. There were no income tax provisions or material deferred income tax items for our TRS for the fiscal years ended April 30, 2016, 2015 and 2014. The TRS is the tenant in our Legends at Heritage Place senior housing facility.

Our taxable income is affected by a number of factors, including, but not limited to, the following: our tenants perform their obligations under their leases and our tax and accounting positions do not change. These factors, which impact our taxable income, are subject to change and many are outside of our control. If actual results vary, our 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 appearing elsewhere in this Annual Report on Form 10-K.

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Fiscal 2016 Significant Events and Transactions

During fiscal year 2016, we have successfully completed the following significant transactions, including acquisition, development, disposition and financing transactions, and experienced the following significant events:

Implementation of our Strategic Plan:

In January 2015, we announced our strategic plan to explore the possibility of selling substantially all of our office and retail properties during the calendar year of 2015 and directing new investments primarily towards multifamily and healthcare properties. During fiscal year 2016, we sold substantially all of our office and retail properties, consisting of sales of 40 office and 18 retail properties, and we acquired six multifamily properties and one healthcare properties.

Acquisitions, Dispositions, and Development Projects Placed in Service:

During fiscal year 2016, we added approximately 1,517 apartment units to our multifamily portfolio, through our acquisition of six multifamily properties and the placement in service of four multifamily development projects. We sold eight student housing properties, with a total of 391 units, for a net addition to the Company's multifamily portfolio in fiscal year 2016 of approximately 1,126 apartment units. We also acquired one healthcare property in Omaha, NE, for a purchase price of $6.5 million.

During fiscal year 2016, in addition to the sale of our eight multifamily properties, we sold 63 healthcare, office, retail, industrial and unimproved properties for sales prices totaling $414.1 million.

On January 29, 2016, we transferred ownership of nine properties to the mortgage lender on a $122.6 million non-recourse loan and removed the debt obligation and accrued interest from our balance sheet. The properties had an estimated fair value of $89.3 million on the transfer date. Upon completion of this transfer, we recognized a gain on extinguishment of debt of $36.5 million, representing the difference between the loan and accrued interest payable extinguished over the carrying value of the properties, cash, accounts payable and accounts receivable transferred as of the transfer date and related closing costs. There can be no assurance that the mortgage lender will not bring a claim against us for the remaining liability.

Share Repurchase Program:

Our Board of Trustees authorized a share repurchase program of up to $50.0 million worth of our common shares over a one year period. Effective September 14, 2015 and December 15, 2015, as part of the implementation of the program, we established written trading plans (“Plans”) that provide for share repurchases in open market transactions for $25.0 million and $10.0 million, respectively, which are intended to comply with Rule 10b5-1 under the Securities Exchange Act. The program does not obligate us to repurchase any specific number of shares and may be suspended at any time in our discretion. During fiscal year 2016, we repurchased approximately 4.6 million common shares on the open market for an aggregate total of approximately $35.0 million.

Commitment Increase to Credit Facility:

Under the terms of the First Amendment to the Amended and Restated Loan Agreement with First International Bank as lead bank, the commitment amount may be increased from $90.0 million up to $100.0 million upon meeting various conditions. During the first quarter of fiscal year 2016, we met such conditions, including providing additional collateral, and the total commitment amount was increased to $100.0 million.

Changes in our Board of Trustees:

On June 23, 2015, Jeffrey P. Caira was appointed as a Trustee of our Board of Trustees. On October 13, 2015, Pamela J. Moret tendered her letter of resignation from our Board of Trustees, and her resignation became effective on December 31, 2015. On April 19, 2016, Michael T. Dance and John A. Schissel were appointed as Trustees of our Board of Trustees.

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Market Conditions and Outlook

The demand for investment and institutional quality real estate in our markets is strong. Investors have abundant equity and access to debt to facilitate acquisitions and developments. Prices and sales volumes are strong. Fundamentals are favorable across property types. The exception for us is in Williston, ND, an energy-impacted market, where we are experiencing very high vacancies and offering rent concessions to attract residents.

Our healthcare segment consists of medical office properties. The same-store healthcare segment remains stable with occupancy at 95.6%. A significant portion of our medical office portfolio is on campus and located in the Minneapolis Metropolitan Statistical Area ("MSA") which has an 11.4% on campus vacancy rate as of calendar year-end 2015 according to Colliers International. We developed one new medical office building on our Southdale campus in Edina, MN and the property is in lease-up.

We experienced generally stable trends across most of our apartment investments during the fiscal year ended April 30, 2016, except in energy impacted markets. According to AXIOMetris Inc., the national apartment occupancy rate as of April 30, 2016 was 95.1%. Our ability to maintain occupancy levels and raise rents remains dependent on continued healthy employment and wage growth. We continue to observe considerable multifamily development activity in our markets, and as this new construction is completed, we will experience increased competition for residents. However, developers of new apartment projects are pushing up market rents to support the increasing costs of new developments. Many existing apartment owners of modestly older properties are making significant upgrades to their units and raising rents. The economic outlook of the Ninth Federal Reserve District, which overlays most of our geographic footprint, for 2016 is good according to the Federal Reserve Bank of Minneapolis. Increases in employment and personal income growth are projected. The biggest challenge facing employers is hiring qualified workers. The unemployment rate is generally below the national average in most of the district's states.

Same-Store and Non-Same-Store Properties

Throughout this Annual Report on Form 10-K, we have provided certain information on a same-store and non-same-store properties basis. Information provided on a same-store properties basis includes the results of properties that we have owned and operated for the entirety of both periods being compared (except for properties for which significant redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations), and which, in the case of development or re-development properties, have achieved a target level of occupancy of 90% for multifamily properties and 85% for commercial properties.

For the comparison of fiscal years 2016 and 2015, all or a portion of 60 properties were non-same-store, of which non-same-store properties 16 were redevelopment or in-service development properties. For the fiscal year 2016 to 2015 comparison, all or a portion of 27 properties were added to non-same-store and all or a portion of 6 properties

were moved to same-store compared to the designations for the fiscal year 2015 to 2014 comparison. For the comparison of fiscal years 2015 and 2014, all or a portion of 39 properties were non-same-store, of which non-same-store properties 11 were redevelopment or in-service development properties.

While there are judgments to be made regarding changes in designation, we typically move properties from same-store to non-same-store when redevelopment has or is expected to have a significant impact on property net operating income within the fiscal year. Sold properties and properties designated as held for sale are moved to the non-same store category when so classified, and acquisitions are moved to same-store once we have owned the property for the entirety of comparable periods and the property is not under significant redevelopment or expansion. Our development projects in progress are not included in our non-same-store properties category until they are placed in-service, which occurs upon the substantial completion of a commercial property and when a multifamily development project is tenantable, generally upon receipt of a certificate of occupancy. They are then subsequently moved from non-same-store to same-store when the property has been in-service for the entirety of both periods being compared and has reached the target level of occupancy specified above.

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RESULTS OF OPERATIONS

Consolidated Results of Operations

The discussion that follows is based on our consolidated results of operations for the fiscal years ended April 30, 2016, 2015 and 2014.

	(in thousands)								
	Year Ended April 30,			2016 vs. 2015			2015 vs. 2014		
	2016	2015	2014	$ Change	% Change		$ Change	% Change	
Real estate rentals	$ 170,698	$ 159,969	$ 145,028	$ 10,729	6.7	%	$ 14,941	10.3	%
Tenant reimbursement	17,622	19,352	19,562	(1,730)	(8.9)	%	(210)	(1.1)	%
TOTAL REVENUE	188,320	179,321	164,590	8,999	5.0	%	14,731	9.0	%
Property operating expenses, excluding real estate taxes	58,859	53,535	50,552	5,324	9.9	%	2,983	5.9	%
Real estate taxes	20,241	19,602	18,704	639	3.3	%	898	4.8	%
Depreciation and amortization	49,832	42,784	39,712	7,048	16.5	%	3,072	7.7	%
Impairment of real estate investments	5,543	4,663	7,700	880	18.9	%	(3,037)	(39.4)	%
General and administrative expenses	11,267	11,824	10,743	(557)	(4.7)	%	1,081	10.1	%
Acquisition and investment related costs	830	362	279	468	129.3	%	83	29.7	%
Other expenses	2,231	1,647	1,850	584	35.5	%	(203)	(11.0)	%
TOTAL EXPENSES	148,803	134,417	129,540	14,386	10.7	%	4,877	3.8	%
Gain on involuntary conversion	—	—	2,480	—	—	%	(2,480)	(100.0)	%
Operating income	39,517	44,904	37,530	(5,387)	(12.0)	%	7,374	19.6	%
Interest expense	(35,768)	(34,447)	(33,729)	(1,321)	3.8	%	(718)	2.1	%
	(106)	—	—	(106)	—	%	—	—	%

Loss on extinguishment of debt									
Interest income	2,256	2,238	1,906	18	0.8	%	332	17.4	%
Other income	317	718	242	(401)	(55.8)	%	476	196.7	%
Income before gain (loss) from sale of real estate and other investments, gain on bargain purchase and income (loss) from discontinued operations	6,216	13,413	5,949	(7,197)	(53.7)	%	7,464	125.5	%
Gain (loss) from sale of real estate and other investments	9,640	6,093	(51)	3,547	58.2	%	6,144	(12,047.1)	%
Gain on bargain purchase	3,424	—	—	3,424	—	%	—	—	%
Income from continuing operations	19,280	19,506	5,898	(226)	(1.2)	%	13,608	230.7	%
Income (loss) from discontinued operations	57,322	9,178	(22,838)	48,144	524.6	%	32,016	(140.2)	%
NET INCOME (LOSS)	76,602	28,684	(16,940)	47,918	167.1	%	45,624	(269.3)	%
Net (income) loss attributable to noncontrolling interests – Operating Partnership	(7,032)	(1,526)	4,676	(5,506)	360.8	%	(6,202)	(132.6)	%
Net loss (income) attributable to noncontrolling interests – consolidated real estate entities	2,436	(3,071)	(910)	5,507	(179.3)	%	(2,161)	237.5	%
Net income (loss) attributable to Investors Real Estate Trust	72,006	24,087	(13,174)	47,919	198.9	%	37,261	(282.8)	%
Dividends to preferred shareholders	(11,514)	(11,514)	(11,514)	—	—	%	—	—	%
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 60,492	$ 12,573	$ (24,688)	47,919	381.1	%	37,261	(150.9)	%

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Revenues. Total revenues increased by 5.0% to $188.3 million in fiscal year 2016, compared to $179.3 million in fiscal year 2015. Total revenues increased by 9.0% to $179.3 million in fiscal year 2015, compared to $164.6 million in fiscal year 2014. These increases were primarily attributable to the addition of new income-producing real estate properties, net of decreases from sold properties.

For fiscal year 2016, the increase in revenue of $9.0 million resulted from:

	(in thousands)
Revenue primarily from properties acquired and development projects placed in service in fiscal year 2016	$ 8,791
Increase in revenue primarily from properties acquired and development projects placed in service in fiscal year 2015	7,891
Decrease in revenue from same-store properties, excluding straight line rent(1)	(210)
Net change in straight line rent on same-store properties(1)	(202)
Decrease in revenue from properties sold or classified as held for sale in fiscal years 2016 and 2015	(7,271)
Net increase in total revenue	$ 8,999

(1) See analysis of NOI by segment below for additional information.

For fiscal year 2015, the increase in revenue of $14.7 million resulted from:

	(in thousands)
Revenue primarily from properties acquired and development projects placed in service in fiscal year 2015	$ 6,616
Increase in revenue primarily from properties acquired and development projects placed in service in fiscal year 2014	6,431
Increase in revenue from same-store properties, excluding straight line rent(1)	4,322
Net change in straight line rent on same-store properties(1)	(765)
Decrease in revenue from properties sold or classified as held for sale in fiscal years 2015 and 2014	(1,873)
Net increase in total revenue	$ 14,731

(1) See analysis of NOI by segment below for additional information.

Property operating expenses, excluding real estate taxes. Property operating expenses, excluding real estate taxes, increased by 9.9% to $58.9 million in fiscal year 2016 compared to $53.5 million in fiscal year 2015. Of this $5.3 million increase, $4.0 million was attributable to non-same-store properties. Same-store properties accounted for $1.3 million of the increase, which was primarily driven by increased labor costs in certain of our markets and general maintenance expense.

Property operating expenses, excluding real estate taxes, increased by 5.9% to $53.5 million in fiscal 2015 compared to $50.6 million in fiscal year 2014. Of this $3.0 million increase, $2.0 million was attributable to non-same-store properties. Same-store properties accounted for $1.0 million of the increase, which was primarily driven by increased labor costs in certain of our markets and by increased insurance premiums.

Real Estate Taxes. Real estate taxes increased by 3.3% to $20.2 million in fiscal year 2016 compared to $19.6 million in fiscal year 2015. An increase of $732,000 was attributable to the addition of new income-producing real estate properties, while same-store properties realized a decrease of $93,000 when compared to the same period in the prior year.

Real estate taxes increased by 4.8% to $19.6 million in fiscal year 2015, compared to $18.7 million in fiscal year 2014. An increase of $40,000 was attributable to the addition of new income-producing real estate properties. An increase of $858,000 was realized at same-store properties compared to the prior year primarily due to increased property valuations in our North Dakota markets. A property tax relief credit was in effect in the State of North Dakota for both periods, but the higher property valuations more than offset the effect of the credit for fiscal year 2015.

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Depreciation and Amortization. Depreciation and amortization increased by 16.5% to $49.8 million in fiscal year 2016, compared to $42.8 million in fiscal year 2015. This increase was primarily attributable to the addition of depreciable assets from acquisitions, development projects placed in service, capital improvements and tenant improvements.

Depreciation and amortization related to real estate investments increased by 7.7% to $42.8 million in fiscal year 2015, compared to $39.7 million in fiscal year 2014. This increase was primarily attributable to the addition of depreciable assets from acquisitions, development projects placed in service, capital improvements and tenant improvements.

Impairment of Real Estate Investments. During fiscal years 2016, 2015 and 2014, we incurred impairment losses of $5.5 million, $4.7 million and $7.7 million, respectively, in continuing operations. See Note 2 to our consolidated financial statements contained in this Annual Report on Form 10-K for additional information.

General and Administrative Expenses. General and administrative expenses decreased by 4.7% to $11.3 million in fiscal year 2016, compared to $11.8 million in fiscal year 2015, primarily due to a decrease in compensation expense. General and administrative expenses increased by 10.1% to $11.8 million in fiscal year 2015, compared to $10.7 million in fiscal year 2014. This change was primarily due to an increase in share-based compensation expense.

Acquisition and Investment Related Costs. Acquisition and investment related costs increased to approximately $830,000 in fiscal year 2016 compared to approximately $362,000 in fiscal year 2015, primarily due to increased costs related to development projects we are not pursuing.

Other Expenses. Other expenses increased 35.5% to $2.2 million in fiscal year 2016, compared to $1.6 million in fiscal year 2015, primarily due to increased legal and consulting expenses. Other expenses decreased 11.0% to $1.6 million in fiscal year 2015, compared to $1.9 million in fiscal year 2014.

Gain on Involuntary Conversion. No gains on involuntary conversion were recognized during fiscal years 2016 and 2015. During fiscal year 2014, we recognized a gain on involuntary conversion of $2.5 million. See Note 2 to our consolidated financial statements contained in this Annual Report on Form 10-K for additional information.

Interest Expense. Components of interest expense in fiscal years 2016, 2015 and 2014 were as follows.

	(in thousands)								
	Year Ended April 30,			2016 vs. 2015			2015 vs. 2014		
	2016	2015	2014	$ Change	% Change		$ Change	% Change	
Mortgage debt	$ 33,631	$ 32,382	$ 33,273	$ 1,249	3.9		$ (891)	(2.7)	%
Line of credit	1,629	2,039	691	(410)	(20.1)	%	1,348	195.1	%
Other	508	26	(235)	482	1,853.8	%	261	111.1	%
Total interest expense	$ 35,768	$ 34,447	$ 33,729	$ 1,321	3.8	%	$ 718	2.1	%

Mortgage interest increased by 3.9% to $33.6 million in fiscal year 2016, compared to $32.4 million in fiscal year 2015. Mortgages on non-same-store properties added $3.1 million in fiscal year 2016, while mortgage interest on same-store properties decreased approximately $802,000 compared to fiscal year 2015, primarily due to loan payoffs.

Mortgage interest decreased by 2.7% to $32.4 million in fiscal year 2015, compared to $33.3 million in fiscal year 2014. Mortgages on non-same-store properties added $1.1 million to our mortgage interest expense in fiscal year 2015, while mortgage interest on same-store properties decreased $1.0 million compared to fiscal year 2014, primarily due to loan payoffs.

Interest expense on our line of credit decreased by 20.1% to $1.6 million in fiscal year 2016, compared to $2.0 million in fiscal year 2015, primarily due to a lower average outstanding balance during fiscal year 2016 compared to the prior year. Interest expense on our line of credit increased by 195.1% to $2.0 million in fiscal year 2015, compared to approximately $691,000 in fiscal year 2014, primarily due to a higher average outstanding balance during fiscal year 2015 compared to the prior year.

Other interest consists of interest on our construction loans, security deposits and special assessments, as well as amortization of loan costs, offset by capitalized construction interest. Other interest increased by 1,853.8% to

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approximately $508,000 in fiscal year 2016, compared to approximately $26,000 in fiscal year 2015, primarily due to interest on new construction loans. Other interest increased by 111.1%, or approximately 261,000, in fiscal year 2015 as compared to fiscal year 2014, primarily due to interest on new construction loans net of capitalized interest

Interest Income and Other Income. We recorded interest income in fiscal years 2016, 2015 and 2014 of $2.3 million, $2.2 million and $1.9 million, respectively. The increase in interest income from fiscal year 2014 to fiscal year 2015 was primarily due to interest earned on a contract for deed that was in place for part of fiscal year 2014 and all of fiscal year 2015.

Other income consists of real estate tax appeal refunds and other miscellaneous income. We earned other income in fiscal years 2016, 2015 and 2014 of approximately $317,000, $718,000 and $242,000, respectively. The higher amount of other income in fiscal year 2015 was primarily due to an increase in real estate tax appeal and other refunds.

Gain on Sale of Real Estate and Other Investments. We recorded gains on sale of real estate and other investments in continuing operations of $9.6 million and $6.1 million in fiscal years 2016 and 2015 and a loss of approximately $51,000 in fiscal year 2014.

Gain on Bargain Purchase. On March 22, 2016, we acquired a multifamily property in Rochester, MN, which had a fair value at acquisition of approximately $36.3 million, as appraised by a third party. The consideration exchanged for the property consisted of $15.0 million cash and approximately 2.5 million Units, valued at approximately $17.8 million. The fair value of the Units transferred was based on the closing market price of our common stock on the acquisition date of $7.09 per share. The acquisition resulted in a gain on bargain purchase because the fair value of assets acquired exceeded the total of the fair value of the consideration paid by approximately $3.4 million. The seller accepted consideration below the fair value of the property in order to do a partial tax-deferred exchange for Units.

Income from Discontinued Operations. Prior to February 1, 2014, we reported, in discontinued operations, the results of operations and the related gains or losses of properties that had either been disposed of or classified as held for sale and otherwise met the classification of a discontinued operation. Effective February 1, 2014, we adopted ASU No. 2014-08. Under this standard, a disposal (or classification as held for sale) of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. As a result of the adoption of ASU No. 2014-08, results of operations and gains or losses on sale for properties that are disposed or classified as held for sale in the ordinary course of business on or subsequent to February 1, 2014 would generally be included in continuing operations on our consolidated statements of operations, to the extent such disposals did not meet the criteria for classification as a discontinued operation.

Income from discontinued operations in fiscal years 2016 and 2015 was $57.3 million and $9.2 million, respectively. Loss from discontinued operations in fiscal year 2014 was $22.8 million. We realized a gain on sale of discontinued operations for fiscal years 2016, 2015 and 2014 of $23.8 million, $0 and $7.0 million, respectively. See Note 12 of the Notes to Consolidated Financial Statements in this report for further information on discontinued operations.

Occupancy

Occupancy as of April 30, 2016 compared to April 30, 2015 decreased 0.3% in our multifamily segment and increased 0.3% in our healthcare segment on a same-store basis. Occupancy represents the actual number of units or square footage leased divided by the total number of units or square footage at the end of the period.

Occupancy Levels on a Same-Store Property and All Property Basis:

	Same-Store Properties As of April 30,			All Properties As of April 30,		
Segments	2016	2015	2014	2016	2015	2014
Multifamily	94.8 %	95.1 %	93.4 %	90.8 %	92.0 %	93.0 %
Healthcare	95.6 %	95.3 %	92.2 %	89.4 %	91.5 %	92.5 %

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Net Operating Income

Net Operating Income (“NOI”) is a non-GAAP measure which we define as total real estate revenues and gain on involuntary conversion less real estate expenses (which consist of utilities, maintenance, real estate taxes, insurance, property management expenses and other property expenses). 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 real estate revenues, real estate operating expenses, gain on involuntary conversion and NOI by reportable operating segment for fiscal years 2016, 2015 and 2014. For a reconciliation of net operating income of reportable segments to net income as reported, see Note 11 to our consolidated financial statements contained in this Annual Report on Form 10-K.

The tables also show net operating income by reportable operating segment on a same-store property and non-same-store property basis. Same-store properties are properties owned or in service for the entirety of the periods being compared, and, in the case of development or re-development properties, which have achieved a target level of occupancy of 90% for multifamily properties and 85% for commercial properties. This comparison allows us to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a same-store property basis is useful to investors because it enables evaluation of how our 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. The discussion below focuses on the main factors affecting real estate revenue and real estate expenses from same-store properties, since changes from one fiscal year to another in real estate revenue and expenses from non-same-store properties are due to the addition of those properties to our real estate portfolio, and accordingly provide less useful information for evaluating the ongoing operational performance of our real estate portfolio.

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All Segments

The following table of selected operating data reconciles NOI to net income and provides the basis for our discussion of NOI by segment in fiscal years 2016, 2015 and 2014.

	Year Ended April 30,							
			2016 vs 2015				2015 vs 2014	
	2016	2015	$ Change	% Change	2015	2014	$ Change	% Change
All Segments								
Real estate revenue								
Same-store	$ 153,010	$ 153,422	$ (412)	(0.3) %	$ 150,789	$ 147,232	$ 3,557	2.4 %
Non-same-store(1)(2)	35,310	25,899	9,411	36.3 %	28,532	17,358	11,174	64.4 %
Total	$ 188,320	$ 179,321	$ 8,999	5.0 %	$ 179,321	$ 164,590	$ 14,731	9.0 %
Real estate expenses								
Same-store	$ 63,898	$ 62,702	$ 1,196	1.9 %	$ 62,636	$ 60,740	$ 1,896	3.1 %
Non-same-store(1)(2)	15,202	10,435	4,767	45.7 %	10,501	8,516	1,985	23.3 %
Total	$ 79,100	$ 73,137	$ 5,963	8.2 %	$ 73,137	$ 69,256	$ 3,881	5.6 %
Gain on involuntary conversion								
Same-store	$ —	$ —	$ —	— %	$ —	$ —	$ —	— %
Non-same-store(1)(2)	—	—	—	— %	—	2,480	(2,480)	(100.0) %
Total	$ —	$ —	$ —	— %	$ —	$ 2,480	$ (2,480)	(100.0) %
Net operating income								
Same-store	$ 89,112	$ 90,720	$ (1,608)	(1.8) %	$ 88,153	$ 86,492	$ 1,661	1.9 %
Non-same-store(1)(2)	20,108	15,464	4,644	30.0 %	18,031	11,322	6,709	59.3 %
Total	$ 109,220	$ 106,184	$ 3,036	2.9 %	$ 106,184	$ 97,814	$ 8,370	8.6 %
Depreciation/amortization	(49,832)	(42,784)			(42,784)	(39,712)		
Impairment of real estate investments	(5,543)	(4,663)			(4,663)	(7,700)		
General and administrative expenses	(11,267)	(11,824)			(11,824)	(10,743)		
Acquisition and investment related costs	(830)	(362)			(362)	(279)		
Other expenses	(2,231)	(1,647)			(1,647)	(1,850)		
Interest expense	(35,768)	(34,447)			(34,447)	(33,729)		
Loss on debt extinguishment	(106)	—			—	—		
Interest and other income	2,573	2,956			2,956	2,148		
Income (loss) before gain (loss) on sale of real estate	6,216	13,413			13,413	5,949		

and other investments and income from discontinued operations				
Gain (loss) on sale of real estate and other investments	9,640	6,093	6,093	(51)
Gain on bargain purchase	3,424	—	—	—
Income (loss) from continuing operations	19,280	19,506	19,506	5,898
Income from discontinued operations(3)	57,322	9,178	9,178	(22,838)
Net income (loss)	$ 76,602	$ 28,684	$ 28,684	$ (16,940)

(1) Non-same-store properties consist of the following properties for the comparative periods of fiscal years 2016 and 2015 (re-development and in-service development properties are listed in bold type):

Held for Investment - Multifamily - 71 France, Edina, MN; Arcata, Golden Valley, MN; Avalon Cove, Rochester, MN; Cardinal Point, Grand Forks, ND; Cascade Shores, Rochester, MN; Chateau II, Minot, ND; Colonial Villa, Burnsville, MN; Commons at Southgate, Minot, ND; Crystal Bay, Rochester, MN; Cypress

	Court I and II, St. Cloud, MN; Dakota Commons, Williston, ND; Deer Ridge, Jamestown, ND; French Creek, Rochester, MN; Gardens, Grand Forks, ND; GrandeVille at Cascade Lake, Rochester, MN; Homestead Garden, Rapid City, SD; Legacy Heights, Bismarck, ND; Northridge, Bismarck, ND; Red 20, Minneapolis, MN; Renaissance Heights, Williston, ND and Silver Springs, Rapid City, SD. Total number of units, 3,097.
Healthcare -	Edina 6565 France SMC III, Edina, MN; Lakeside Medical Plaza,

	Omaha, NE and PrairieCare Medical, Brooklyn Park, MN. Total rentable square footage, 156,199.
Other -	Minot Southgate Retail, Minot, ND; Minot Southgate Wells Fargo Bank, Minot, ND and Roseville 3075 Long Lake Road, Roseville, MN. Total rentable square footage, 233,518.

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Held for Sale -	Multifamily -	Pinecone Villas, Sartell, MN. Total number of units, 24.
	Healthcare -	Sartell 2000 23rd St, Sartell, MN. Total rentable square footage, 59,760.
	Other -	Stone Container, Fargo, ND. Total rentable square footage, 195,075.
	Total NOI for held for sale properties for the twelve months ended April 30, 2016 and 2015, respectively, $776 and $830.	
Sold -	Multifamily -	Campus Center, St. Cloud, MN; Campus Heights, St. Cloud, MN; Campus Knoll, St. Cloud, MN; Campus Plaza, St. Cloud, MN; Campus Side, St. Cloud, MN; Campus View, St. Cloud, MN; Cornerstone, St. Cloud, MN; Lancaster, St. Cloud, MN and University Park Place, St. Cloud, MN.
	Healthcare -	Jamestown Medical Office Building, Jamestown, ND and Nebraska Orthopaedic Hospital, Omaha, NE.
	Other -	2030 Cliff Road, Eagan, MN; Burnsville Bluffs II, Burnsville, MN; Dewey Hill Business Center, Edina, MN; Eagan 2785 & 2795 Hwy 55, Eagan, MN; Fargo Express Community, Fargo, ND; Kalispell Retail Center, Kalispell, MT; Minot Arrowhead First International, Minot, ND; Minot Plaza, Minot, ND; Northgate I, Maple Grove, MN; Northgate II, Maple Grove, MN; Plymouth I, Plymouth, MN; Plymouth II, Plymouth, MN; Plymouth III, Plymouth, MN; Plymouth IV-V, Plymouth, MN; Southeast Tech, Eagan, MN; Thresher Square, Minneapolis, MN; Weston Retail and Walgreens, Weston, WI; Whitewater Plaza, Minnetonka, MN and Wirth Corporate Center, Golden Valley, MN.
	Total NOI for sold properties for the twelve months ended April 30, 2016 and 2015, respectively, $2,403 and $6,308.	
(2)	Non-same-store properties consist of the following properties for the comparative periods of fiscal years 2015 and 2014 (re-development and in-service development properties are listed in bold type):	
Held for Investment -	Multifamily -	Arcata, Golden Valley, MN; Colonial Villa, Burnsville, MN; Commons at Southgate, Minot, ND; Cypress Court I and II, St. Cloud, MN; Dakota Commons, Williston, ND; Homestead Garden, Rapid City, SD; Landing at Southgate, Minot, ND; Legacy Heights, Bismarck, ND; Northridge, Bismarck, ND; Pinecone Villas, Sartell, MN; Red 20, Minneapolis, MN; Renaissance Heights, Williston, ND; River Ridge, Bismarck, ND; Silver Springs, Rapid City, SD and Southpoint, Grand Forks, ND. Total number of units, 1,949.
	Other -	Minot Southgate Wells Fargo Bank, Minot, ND and Roseville 3075 Long Lake Road, Roseville, MN. Total rentable square footage, 225,555.
Held for Sale -	Healthcare -	Nebraska Orthopaedic Hospital, Omaha, NE. Total rentable square footage, 61,758.
	Other -	Thresher Square, Minneapolis, MN.

Total rentable square footage, 117,144.

Total NOI for held for sale properties for the twelve months ended April 30, 2015 and 2014, respectively, $1,945 and $1,931.

Sold -	Multifamily -	Lancaster, St. Cloud, MN.
	Healthcare -	Jamestown Medical Office Building, Jamestown, ND.
	Other -	2030 Cliff Road, Eagan, MN; Burnsville Bluffs II, Burnsville, MN; Dewey Hill Business Center, Edina, MN; Eagan 2785 & 2795 Hwy 55, Eagan, MN; Fargo Express Community, Fargo, ND; Kalispell Retail Center, Kalispell, MT; Northgate I, Maple Grove, MN; Northgate II, Maple Grove, MN; Plymouth I, Plymouth, MN; Plymouth II, Plymouth, MN; Plymouth III, Plymouth, MN; Plymouth IV-V, Plymouth, MN; Southeast Tech, Eagan, MN; Weston Retail and Walgreens, Weston, WI; Whitewater Plaza, Minnetonka, MN and Wirth Corporate Center, Golden Valley, MN.

Total NOI for sold properties for the twelve months ended April 30, 2015 and 2014, respectively, $3,724 and $3,904.

(3) Discontinued operations include gain on disposals and income from operations for:
Held for Sale at April 30, 2016: Casper 1930 E 12th St, Casper 3955 E 12th St, Cheyenne 4010 N College Dr, Cheyenne 4606 N College Dr, Edgewood Vista (“EV”) Belgrade, EV Billings, EV Bismarck, EV Brainerd, EV Columbus, EV East Grand Forks, EV Fargo, EV Fremont, EV Grand Island, EV Hastings, EV Hermantown I and II, EV Kalispell, EV Minot, EV Missoula, EV Norfolk, EV Omaha, EV Sioux Falls, EV Spearfish, EV Virginia, Laramie 1072 N 22nd St, Legends at Heritage Place, Spring Creek (“SC”) American Falls, SC Boise, SC Eagle, SC Fruitland, SC Meridian, SC Overland, SC Soda Springs and SC Ustick.
2016 Dispositions: 610 Business Center, 7800 West Brown Deer Road, American Corporate Center, Ameritrade, Barry Pointe Office Park, Benton Business Park, Brenwood, Brook Valley I, Burnsville Strip Center, Champlin South Pond, Chan West Village, Corporate Center West, Crosstown Centre, Duluth 4615 Grand, Duluth Denfeld Retail, Eden Prairie 6101 Blue Circle Drive, Farnam Executive Center, Flagship Corporate Center, Forest Lake Auto, Forest Lake Westlake Center, Gateway Corporate Center, Golden Hills Office Center, Grand Forks Medpark Mall, Granite Corporate Center, Great Plains, Highlands Ranch I and II, Interlachen Corporate Center, Intertech Building, Jamestown Buffalo Mall, Jamestown Business Center, Lakeville Strip Center, Mendota Office Center I-IV, Minnesota National Bank, Miracle Hills One, Monticello C-Store, Northpark Corporate Center, Omaha 10802 Farnam Dr, Omaha Barnes & Noble, Pacific Hills, Pine City C-Store, Pine City Evergreen Square, Plaza VII, Plymouth 5095 Nathan Lane, Prairie Oak Business Center, Rapid City 900 Concourse Drive, Riverport, Rochester Maplewood Square, Spring Valley IV, V, X and XI, St. Cloud Westgate, Superior Office Building, TCA Building, Three Paramount Plaza, Timberlands, UHC Office, US Bank Financial Center, Wells Fargo Center, West River Business Park, Westgate and Woodlands Plaza IV.

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An analysis of NOI by segment follows.

Multifamily

Real estate revenue from same-store properties in our multifamily segment decreased by 0.5% or $544,000 in the twelve months ended April 30, 2016 compared to the same period in the prior fiscal year. A decrease of $913,000 was attributable to increased vacancy, primarily in our energy impacted markets of Williston, North Dakota and Minot, North Dakota. This decrease in revenue was offset by an increase of $332,000 that was the result of a ratio utility billings system implemented in the current year to recapture tenant utility expenses. All other real estate revenue items combined increased by $37,000.

Real estate expenses at same-store properties increased by 5.3% or $2.4 million in the twelve months ended April 30, 2016 compared to the same period in the prior fiscal year. The primary factors were increased administrative expenses of $1.9 million and increased maintenance expenses of $987,000. These increases were offset by a decrease in insurance expenses of $611,000 while all other expenses combined increased by $132,000 when compared to the prior year. The increase in administrative expenses was due to increased internal property management and labor costs while the increase in maintenance expenses was due to more general maintenance items being completed when compared to the prior year. The decrease in insurance expenses was due to a decrease in insurance premiums as well as a decrease in deductibles paid on insurance claims.

Real estate revenue from same-store properties in our multifamily segment increased by 3.4% or $3.2 million in the twelve months ended April 30, 2015 compared to the same period in the prior fiscal year. The ability to raise rents, which was the result of continued levels of high occupancy, accounted for an increase of $2.7 million while an increase of $311,000 was attributable to increased occupancy. Other fee items combined increased by $196,000.

Real estate expenses at same-store properties increased by 2.9% or $1.2 million in the twelve months ended April 30, 2015 compared to the same period in the prior fiscal year. The primary factors were increased real estate taxes of $880,000 and increased insurance expenses of $476,000. These increases were offset by a decrease in utilities expense of $580,000, while all other expenses combined increased by $463,000 when compared to the prior year. The increase in real estate taxes was primarily attributable to increased property valuations in our North Dakota markets. A property tax relief credit was in effect in the State of North Dakota both periods, but the higher property valuations more than offset the effect of the credit for fiscal year 2015. Insurance premium rates at same-store properties decreased, but total insurance premium costs rose due to an increase in insured values compared to the prior fiscal year. The decrease in utility costs was attributable to a decrease in utility rates and the effects of a milder weather on heating costs.

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	Years Ended April 30		2016 vs 2015				2015 vs 2014	
	2016	2015	$ Change	% Change	2015	2014	$ Change	% Change
ultifamily								
eal estate venue								
ame-store	$ 102,694	$ 103,238	$ (544)	(0.5) %	$ 99,072	$ 95,831	$ 3,241	3.4 %
on-same-store	28,455	15,288	13,167	86.1 %	19,454	6,228	13,226	212.4 %
otal	$ 131,149	$ 118,526	$ 12,623	10.6 %	$ 118,526	$ 102,059	$ 16,467	16.1 %
eal estate xpenses								
ame-store	$ 47,186	$ 44,794	$ 2,392	5.3 %	$ 44,140	$ 42,901	$ 1,239	2.9 %
on-same-store	13,291	6,378	6,913	108.4 %	7,032	3,237	3,795	117.2 %
otal	$ 60,477	$ 51,172	$ 9,305	18.2 %	$ 51,172	$ 46,138	$ 5,034	10.9 %
ain on voluntary onversion								
ame-store	$ —	$ —	$ —	— %	$ —	$ —	$ —	— %
on-same-store	—	—	—	— %	—	2,480	(2,480)	(100.0) %
otal	$ —	$ —	$ —	— %	$ —	$ 2,480	$ (2,480)	(100.0) %
et operating come								
ame-store	$ 55,508	$ 58,444	$ (2,936)	(5.0) %	$ 54,932	$ 52,930	$ 2,002	3.8 %
on-same-store	15,164	8,910	6,254	70.2 %	12,422	5,471	6,951	127.1 %
otal	$ 70,672	$ 67,354	$ 3,318	4.9 %	$ 67,354	$ 58,401	$ 8,953	15.3 %

ccupancy	2016	2015	2015	2014
ame-store	94.8 %	95.1 %	94.7 %	93.4 %
on-same-store	78.4 %	77.1 %	78.6 %	87.4 %
otal	90.8 %	92.0 %	92.0 %	93.0 %

umber of Units	2016	2015	2015	2014
ame-store	9,853	9,854	9,895	9,896
on-same-store	3,121	1,990	1,949	883
otal	12,974	11,844	11,844	10,779

Healthcare

Real estate revenue from same-store properties in our healthcare segment decreased by 0.4% or $170,000 in the twelve months ended April 30, 2016 compared to the same period in the prior fiscal year. The decrease in revenue was attributable to a decrease in the straight-line rent receivable of $356,000. This decrease was offset by an increase in tenant reimbursements of $200,000 while all other real estate revenue items combined decreased by $14,000.

Real estate expense from same-store properties decreased by 4.4% or $668,000 in the twelve months ended April 30, 2016 when compared to the same period of the prior fiscal year. The primary factors were decreases in other property expenses of $392,000 and real estate taxes of $248,000. The decrease in other property expenses, consisting of bad debt provision expenses, was due to a decrease in the estimated uncollectible accounts receivable. All other real estate expenses combined decreased by $28,000.

Real estate revenue from same-store properties in our healthcare segment increased by 0.7% or $297,000 in the twelve months ended April 30, 2015 compared to the same period in the prior fiscal year. Tenant reimbursements increased by $349,000 while all other real estate revenue items combined decreased by $52,000.

Real estate expenses from same-store properties decreased by 0.4% or $61,000 in the twelve months ended April 30, 2015 when compared to the same period from the prior fiscal year. The decrease in expenses was due to a decrease in utilities expense of $52,000 which resulted from a decrease in utility rates and a decrease in real estate taxes of $49,000. All other real estate expenses combined increased by $40,000.

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