



fiscal 2001 annual report
OUR **31st** YEAR

Report of the Trustees to the Meeting of Shareholders
September 25, 2001

. . . an expression of
APPRECIATION
to our Founder



Roger R. Odell

commitment to excellence in every aspect of our operations - from choosing the real estate investments to purchase and managing those investments in a professional manner, to communicating with and servicing each shareholder account."

Roger wholeheartedly believed in these words and, through his guidance, IRET flourished to where it is today. Few in the United States rival Roger's foresight and intelligence in the real estate business. Roger helped build IRET from the ground up and he has laid a foundation which will allow continued success for many years to come.

While Roger has retired, we at IRET take solace in knowing that his office is only a block away and his phone line and door are always open. As for the past and to the present, we want to say "*Thank you, Roger!*"

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Building A Foundation . . .

IRET's mission statement reflects management's commitment to its shareholders and best expresses Roger's vision for IRET.

The following paragraph from that statement epitomizes Roger's dedication to IRET.

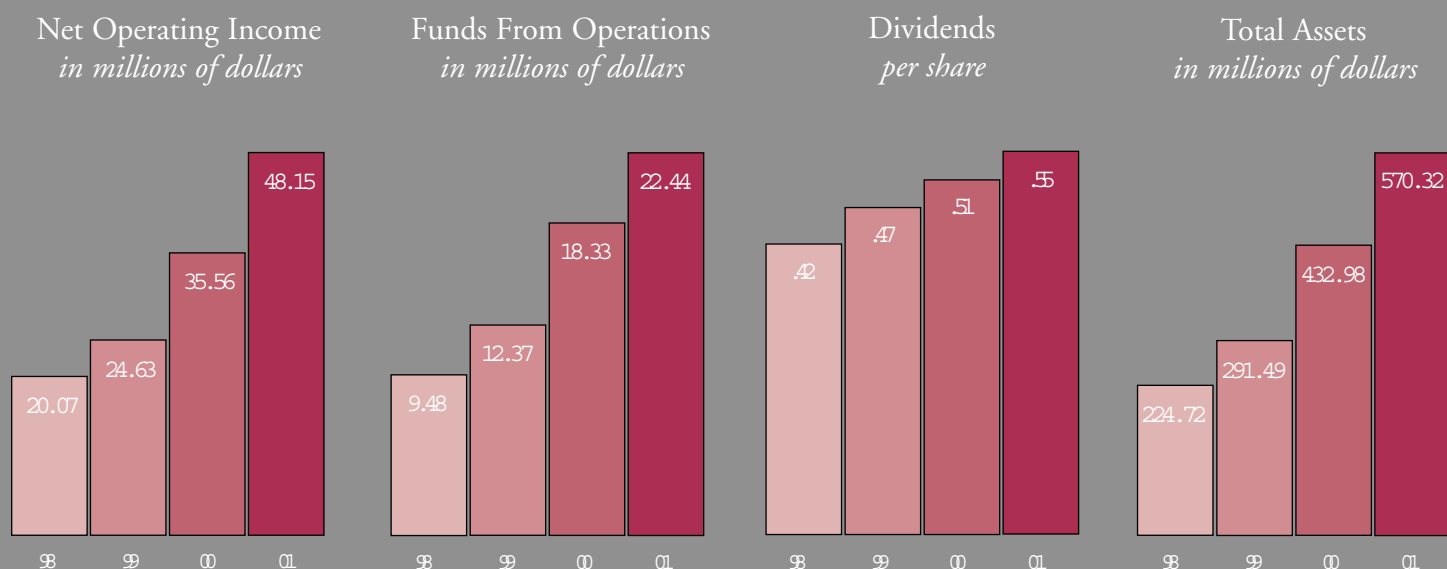
"Creating value for our shareholders requires a

FINANCIAL HIGHLIGHTS

Years Ended April 30,	2001	2000	1999	1998
Rental Revenue	\$ 74,800,722	\$ 54,257,881	\$ 38,785,287	\$ 31,694,586
Other Revenue	966,428	1,187,312	1,141,975	712,959
Total Revenue	75,767,150	55,445,193	39,927,262	32,407,545
Net Operating Income*	48,146,930	35,558,253	24,625,208	20,068,317
Net Income	8,694,240	8,807,845	7,604,135	5,014,909
Funds From Operations**	22,440,463	18,327,986	12,368,550	9,483,105
Per Share				
Net Income Available to Shareholders	\$ 0.38	\$ 0.42	\$ 0.44	\$ 0.32
Funds From Operations	0.79	0.75	0.65	0.60
Dividends (Fiscal Year)	0.55	0.51	0.47	0.42
At Year End				
Total Assets	\$ 570,322,124	\$ 432,978,299	\$ 291,493,311	\$ 224,718,514
Depreciation Reserve	\$ 44,093,145	\$ 33,232,952	\$ 26,112,399	\$ 21,516,129
Shares Outstanding	24,068,346	22,452,069	19,066,954	16,391,412
Shareholders' Equity (Book)	\$ 118,945,160	\$ 109,920,591	\$ 85,783,294	\$ 68,152,626
Number of Apartment Units Owned	7,869	7,319	5,528	4,729
Square Feet of Commercial Property	2,513,518	1,607,209	1,228,714	915,541

* Net operating income is defined as total revenue less operating expenses before depreciation, amortization, interest and impairment.

** Industry analysts generally consider funds from operations to be an appropriate measure of the performance of an equity REIT. Funds from operation is defined as taxable income increased by non-cash deductions of real estate asset depreciation, and amortization, and reduced by capital gain income and other extraordinary income items.



This annual report is prepared for the general information of the shareholders and investment certificate holders of IRET and is not intended to induce or to be used in connection with the sale or purchase of any securities of the Trust except when accompanied by a prospectus.

THE COMPANY

Founded in 1970, IRET is a Real Estate Investment Trust through which individual investors may benefit from the advantages of group investment in a professionally managed and diversified portfolio of income producing real estate.

As of April 30, 2001, IRET owned 7,869 apartment units and 2,513,518 square feet of commercial properties located in North Dakota and twelve other states.

IRET is structured as an Umbrella Partnership Real Estate Investment Trust (UPREIT).

IRET operates through an operating partnership (IRET Properties, a North Dakota Limited Partnership), which has as its sole General Partner a wholly owned corporate subsidiary of IRET (IRET, Inc., a North Dakota Corporation). UPREIT status allows the owner of appreciated real estate to contribute that real estate to the operating partnership in exchange for a Limited Partnership interest generally without the recognition of gain.

IRET's investment strategy commits approximately two-third's of its equity capital to apartment communities located in cities offering above average growth potential and the remaining one-third to commercial properties - most of which will be leased to a single tenant on long-term leases. In order to meet yield objectives, IRET borrows 65-70% of the property purchase price with the free and clear percentage return of each property exceeding the interest rate payable on borrowed funds by two percent or more.

RETURN TO SHAREHOLDERS

From its inception in 1970, IRET has sought to:

- Pay a cash dividend equal to or better than a bank one-year Certificate of Deposit;
- Increase the dividend at a rate in excess of the inflation rate;
- Increase the share price by a percentage equal to the dividend rate for a total return to the shareholder at least twice the return of a one-year Certificate of Deposit.



Cold Spring Center - St. Cloud, Minnesota



TO OUR FELLOW SHAREHOLDERS

We have much to report about IRET's 31st year. It was another year of significant progress for our company.

CONSISTENT FINANCIAL RESULTS

We are proud of IRET's 31-year history of consistent growth in earnings, dividends, and share price.

For many investors, the past year has been one of disappointment as previously high performing companies experienced sharp drops in earnings and share prices. In some cases, the previous significant gains in share value, as well as much of the investor's original investment, was lost with some companies going out of business altogether.

While many other companies experienced falling share prices and extreme volatility in the stock market, IRET continued to deliver solid value to its shareholders by increasing its Funds from Operations, dividends, and share price.

- Dividends increased to 55¢ per share from 50.8¢, an increase of 4.2¢ (8.3%).
- Funds from Operations of the Operating Partnership increased to \$22,440,463 from \$18,327,986, an increase of \$4,112,477 (22%). On a per share basis, FFO increased from 75¢ per share to 79¢ per share, an increase of 5%. FFO per share would have been approximately 3% higher except for the sharp increase in natural gas prices for our apartment communities experienced during the latter portion of Fiscal 2001.
- Revenues of the Operating Partnership increased to \$75,767,150 from \$55,445,193, an increase of 37%.
- Real Estate Owned increased to \$591,636,468 from \$449,919,890, an increase of \$141,716,578 (31%).
- As a result of the sale of additional Shares of Beneficial Interest, shareholder equity increased by \$9,024,569 and, in addition, the equity capital of the Operating Partnership was increased by \$23,885,524 as a result of contributions of real estate in exchange for Operating Units, resulting in a total increase in equity capital for the Operating Partnership of \$32,910,093.

PORTFOLIO EXPANSION

We were able to significantly expand IRET's real estate portfolio. The Operating Partnership invested \$143,042,292 to acquire 22 commercial buildings (1,047,321 square feet) and build 4 and buy 3 apartment communities (658 apartment units). The detailed list of the individual investments made during Fiscal 2001 are set forth in the Management's Discussion and Analysis which appears later in this report. The Operating Partnership also sold three properties during Fiscal 2001 realizing a net gain of \$601,605. At the end of the fiscal year, IRET's real estate portfolio consists of 7,869 apartment units and 2,513,518 square feet of commercial properties.

We will continue to seek attractive real estate properties to add to our portfolio and anticipate a similar level of acquisitions during Fiscal 2002.

31 YEARS OF INCREASED DIVIDENDS

IRET increased the dividend paid on its Shares of Beneficial Interest during each quarter of Fiscal Year 2001. IRET paid its first dividend on June 30, 1971, and has paid a dividend every quarter since that time. During every year of its existence, IRET has increased its dividend and, since 1988, has increased its dividend every quarter. The dividend of 14.5¢ per share paid on July 2, 2001, was the 121st consecutive quarterly dividend paid by IRET.

INCREASED SHARE PRICE

The last trade of IRET shares on the NASDAQ Small Cap Market in Fiscal 2000 was at a price of \$7.875 per share. The last trade on April 30, 2001, was at a price of \$8.77, an increase of 11.4%. This is in excess of our goal of increasing our share price an average of 6% per year which gain in value, together with a dividend of 6% or greater, will produce a total annual return to our shareholders of 12%. This goal has been achieved on average over our 31-year history. Of course, not every year will produce an exact total return of 12% - some years will be higher such as this year and some years will be lower, but we believe that over time IRET's real estate portfolio will continue to produce this approximate rate of return to our shareholders.

As shown later in this report an investment of \$10,000 in IRET shares on June 30, 1971, assuming the reinvestment of all dividends in additional IRET shares, would have resulted in the ownership of IRET shares worth nearly \$650,000 on April 30, 2001.

PRESIDENT'S REPORT

IRET ADDED TO RUSSELL 2000® INDEX

As of June 30, 2001, IRET was added to the Russell 2000® Index which measures the performance of the 2000 smallest companies in the Russell 3000® Index (the 3,000 largest U.S. companies by total market capitalization). This has been a very positive development for IRET which we believe is responsible for the recent increase in volume and share price on the NASDAQ Market for IRET shares. A number of mutual funds purchase the shares of companies on this list. While this initial increase in volume and price may lessen as the mutual fund purchases are completed, being on the Russell Index will be of significant benefit to IRET over the long term.

SELF-ADVISED STATUS - RETIREMENT OF ROGER R. ODELL

On July 1, 2000, IRET became self-advised. When IRET was formed, the Internal Revenue Code which governed real estate investment trusts required that IRET employ a separate advisory company. Roger R. Odell served as the advisor to IRET from its inception until July 1, 2000. Pursuant to an advisory contract between IRET and Odell-Wentz and Associates, L.L.C., the advisory company provided all office space, personnel, office equipment, and other equipment and services necessary to conduct all of the day-to-day operations of IRET. With the decision of Roger to retire as the advisor and as President of IRET, the company obtained an independent appraisal of the value of the advisory business and assets from certified public accountants not otherwise employed by either IRET or the advisory company. On July 1, 2000, the IRET Operating Partnership acquired the advisory company assets and business in exchange for Operating Partnership Units with a value of \$2,083,350, the appraised value of those assets and business. Roger retired on that date and all other officers and employees of the advisory company were employed by IRET Properties.

STEVEN B. HOYT - NEW TRUSTEE

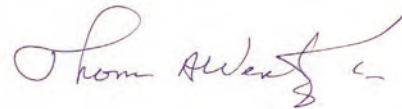
We are pleased to report the addition of Steven B. Hoyt to our Board of Trustees. Mr. Hoyt is a successful real estate developer in the Minneapolis area and contributed a number of commercial buildings to the portfolio of the Operating Partnership in exchange for Operating Partnership Units. We welcome Steve to our Board and look forward to the benefits of his advice and counsel in the years ahead.



Legacy Apartments - Grand Forks, North Dakota

A BRIGHT FUTURE

We will continue to build on the firm foundation that Roger Odell established for IRET. The policies and values that Roger put in place will guide our efforts in the years ahead. Our 31-year history of creating value for our shareholders - due in large part to Roger's vision and hard work - is our greatest asset. This record of achievement continues to open doors for us and we will do our best to build and expand on Roger's legacy.



Thomas A. Wentz, Sr.
President & CEO



OFFICERS & STAFF



Daniel J. Leidholt
Assistant Vice President
Financial Reporting



Michael J. Hale
Assistant Vice President
Security Sales



Thomas A. Wentz, Sr.
President &
Chief Executive Officer



Timothy P. Mihalick
Senior Vice President &
Chief Operating Officer



Ross D. Johnson
Assistant Vice President
Property Management



Donald V. Peterson
Assistant Vice President
Asset Management



Thomas A. Wentz, Jr.
Vice President &
General Counsel



Diane K. Bryantt
Secretary &
Chief Financial Officer



Eric M. Schaeffer
Assistant Vice President
Asset Management



Darla J. Strilcov
Assistant Vice President
Shareholder Relations



Stacy A. Humphreys
Assistant Vice President
Financial Reporting



Michelle R. Saari
Assistant Vice President
Information Specialist



Michael T. Mueller
Assistant Financial
Officer



Sheila R. Evanoff
Property Management
Accounting



Kim A. Ohlhauser
Shareholder Relations

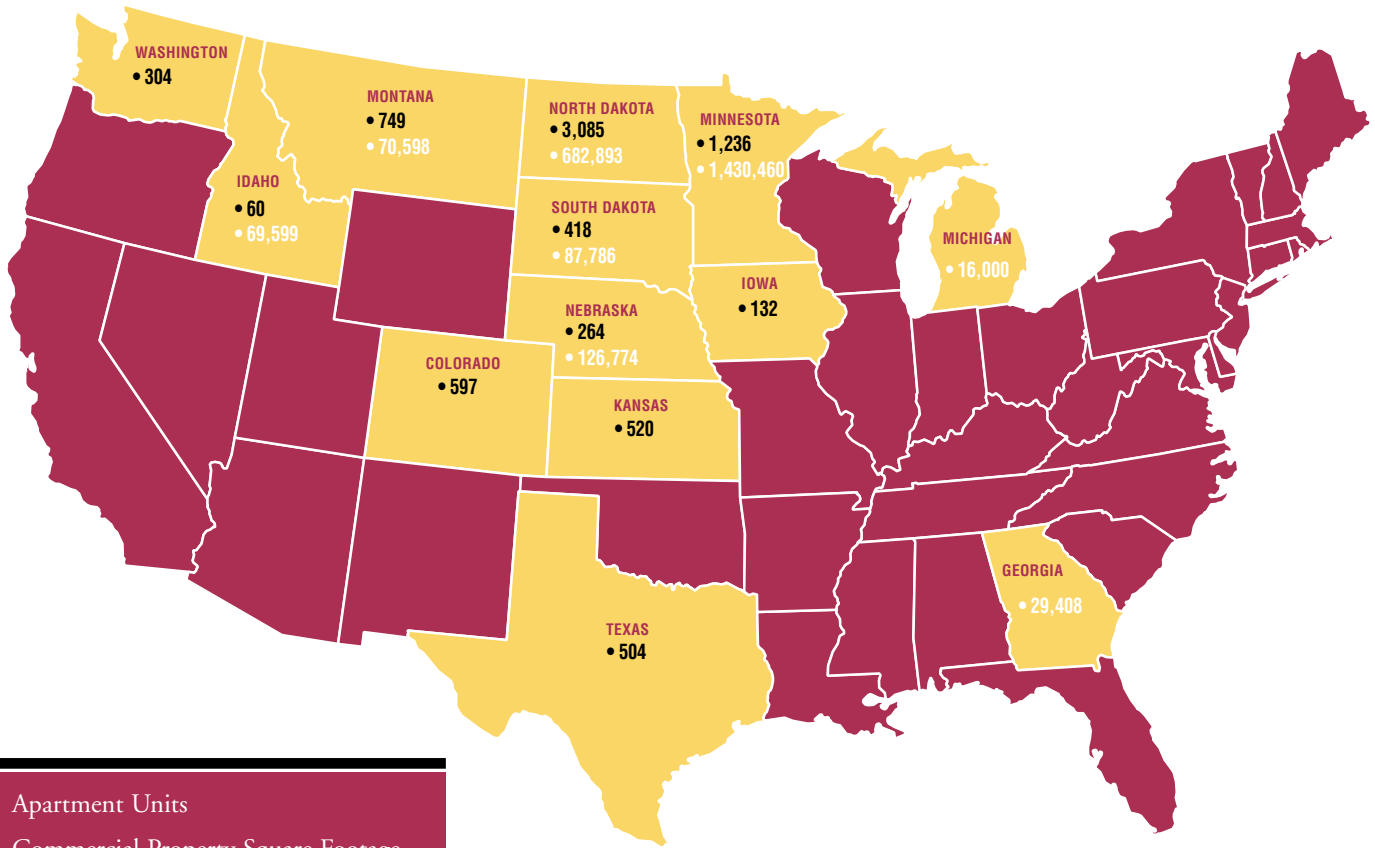
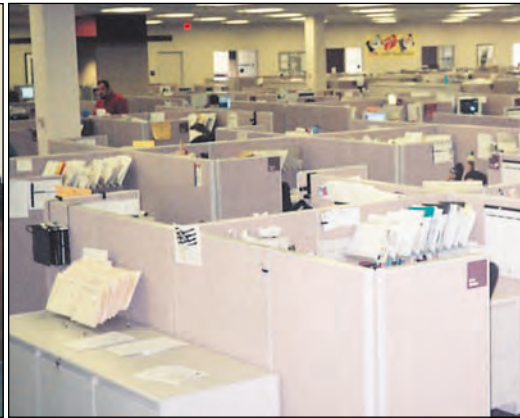


Julie A. Ebert
Administrative Assistant



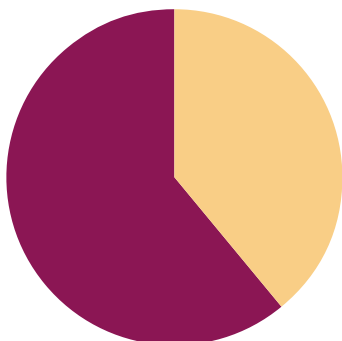
Linda D. Feldner
Secretary/Receptionist

INVESTMENT PORTFOLIO



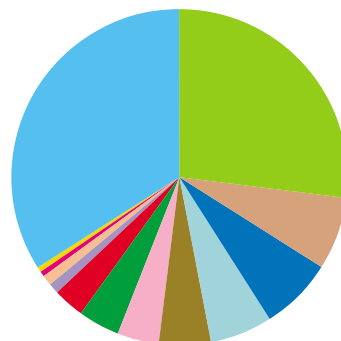
- Apartment Units
- Commercial Property Square Footage

REAL ESTATE PORTFOLIO MIX



61% Apartment Units
39% Commercial Real Estate

PROPERTY INVESTMENTS *percentage by state*



34% Minnesota
27% North Dakota
7% Colorado
7% Montana
6% Texas
5% Kansas
4% Nebraska
4% South Dakota
3% Washington
1% Idaho
1% Iowa
.5% Georgia
.5% Michigan

Apartment Communities by IRET

	Units	Investment	Fiscal 2001 Occupancy
Colorado			
Colorado Springs Neighborhood	192	\$ 11,422,781	96.27%
Ft. Collins MiraMont	210	14,363,539	97.10%
Pine Cone	195	13,263,860	96.71%
Colorado Total	597	\$ 39,050,180	96.88%
Idaho			
Boise Clearwater	60	\$ 3,853,638	92.14%
Idaho Total	60	\$ 3,853,638	92.14%
Iowa			
Sioux City Ridge Oaks	132	\$ 4,281,967	n/a%
Iowa Total	132	\$ 4,281,967	n/a%
Kansas			
Topeka Crown Colony	220	\$ 10,817,090	83.88%
Sherwood	300	16,001,205	86.97%
Kansas Total	520	\$ 26,818,295	86.98%
Minnesota			
Moorhead Eastgate	116	\$ 2,425,737	90.25%
Rochester Heritage Manor	182	7,697,780	99.41%
Woodridge	108	6,775,134	98.46%
Sunset Trail I	73	7,908,091	n/a%
Sunset Trail II & III	n/a	4,006,932	n/a%
St. Cloud Lancaster Place	84	3,226,626	95.87%
Park Meadows	360	11,673,583	97.72%
West Stonehill	313	11,771,140	99.64%
Minnesota Total	1,236	\$ 55,485,023	97.10%
Montana			
Billings Castle Rock	165	\$ 5,742,534	92.49%
Country Meadows I	67	4,361,135	97.34%
Country Meadows II	67	4,359,718	97.50%
Olympic Village	274	11,782,852	n/a%
Rimrock West	78	3,899,680	97.12%
Rocky Meadows	98	6,737,109	96.93%
Montana Total	749	\$ 36,883,028	96.30%
Nebraska			
Lincoln Thomasbrook	264	\$ 9,956,873	95.91%
Nebraska Total	264	\$ 9,956,873	95.91%

n/a - non-stabilized property acquired in Fiscal 2001.

INVESTMENT PORTFOLIO

Apartment Communities by IRET - *continued*

	Units	Investment	Fiscal 2001 Occupancy
North Dakota			
Bismarck			
Cottonwood Lake I & II	134	\$ 9,197,265	88.36%
Cottonwood III	67	4,535,371	n/a%
Crestview	152	4,961,835	94.30%
Kirkwood Manor	108	3,731,401	93.86%
North Pointe	49	2,446,675	97.99%
Pebble Creek	18	784,962	98.04%
Westwood Park	64	2,205,488	99.25%
Dickinson			
Century	120	2,321,814	88.09%
Eastwood	38	472,395	79.00%
Oak Manor	27	374,730	97.23%
Fargo			
Candlelight	44	977,083	97.21%
Park East	122	5,136,953	98.75%
Prairiewood Meadows	85	2,839,271	n/a%
Sunchase	36	1,042,210	99.10%
Grand Forks			
Forest Park Estates	270	7,482,837	94.70%
Jenner Properties	121	2,231,184	94.10%
Legacy	183	10,997,398	95.42%
Legacy IV	67	7,031,125	90.86%
Southwinds	164	5,972,073	90.77%
Valley Park Manor	168	4,713,692	95.44%
Minot			
Chateau	64	2,468,984	96.86%
Colton Heights	18	967,733	93.85%
Dakota Arms	18	625,487	97.12%
Magic City	232	5,257,208	96.62%
South Pointe	196	10,345,036	97.01%
Southview	24	728,676	93.24%
Williston			
Century	192	4,125,747	71.35%
Other Communities			
Beulah Condominiums - Beulah	26	483,155	55.44%
Parkway Apartments - Beulah	36	150,912	56.99%
Bison Properties - Carrington & Cooperstown	35	614,541	94.36%
Sweetwater Properties - Devils Lake & Grafton	114	1,626,298	76.79%
Lonetree Manor - Harvey	12	228,846	74.82%
The Meadows I - Jamestown	27	1,878,636	98.40%
The Meadows II - Jamestown	27	1,878,636	97.54%
The Meadows III - Jamestown	27	2,046,455	n/a%
North Dakota Total	3,085	\$ 112,882,112	91.99%
South Dakota			
Rapid City			
Pointe West	90	\$ 4,061,061	94.59%
Sioux Falls			
Oakwood Estates	160	5,664,991	96.47%
Oxbow	120	5,030,689	99.53%
Prairie Winds	48	2,013,055	99.32%
South Dakota Total	418	\$ 16,769,796	97.35%

n/a - non-stabilized property acquired in Fiscal 2001.

Apartment Communities by IRET - *continued*

	Units	Investment	Fiscal 2001 Occupancy
Texas			
Irving			
Dakota Hill at Valley Ranch	504	\$ 37,617,106	92.84%
Texas Total	504	\$ 37,617,106	92.94%
Washington			
Vancouver			
Ivy Club	204	\$ 11,827,863	94.19%
Van Mall Woods	100	6,151,761	96.31%
Washington Total	304	\$ 17,979,624	94.98%
Total Apartment Communities	7,869	\$ 361,577,622	93.96%



INVESTMENT PORTFOLIO

Commercial Properties by IRET

	Sq. Ft.	Investment	Fiscal 2001 Occupancy
Georgia			
Lithia Springs			
Wedgewood Retirement Center	29,408	\$ 3,971,878	100.00%
Georgia Total	29,408	\$ 3,971,878	100.00%
Idaho			
Boise			
America's Best Furniture	69,599	\$ 4,788,294	32.50%
Idaho Total	69,599	\$ 4,788,294	32.50%
Michigan			
Kentwood			
Comp USA	16,000	\$ 2,121,474	100.00%
Michigan Total	16,000	\$ 2,121,474	100.00%
Minnesota			
Bloomington			
Pillsbury Business Center	42,220	\$ 1,842,970	n/a%
Burnsville			
Burnsville Bluffs	26,186	2,456,646	n/a%
Nicollet VII	118,400	7,360,670	n/a%
Duluth			
Edgewood Vista	57,187	4,241,450	100.00%
Edgewood Vista II	26,412	1,439,737	100.00%
Eagan			
2030 Cliff Road	13,374	980,866	n/a%
Lexington Commerce	89,840	5,489,723	100.00%
S.E. Tech Center	58,300	6,115,517	100.00%
East Grand Forks			
East Grand Station	14,490	1,392,251	100.00%
Edgewood Vista	10,778	899,821	100.00%
Edgewood Vista II	5,100	516,700	n/a
Eden Prairie			
Flying Cloud Drive	61,217	5,074,810	99.18%
Lindberg Building	40,941	1,608,535	100.00%
ViroMed	48,700	4,863,634	100.00%
Edina			
Dewey Hill Business Center	73,338	4,492,381	100.00%
Southdale Medical Center	195,983	32,421,070	100.00%
Maple Grove			
Northgate II	25,999	2,348,979	100.00%
Maplewood & Woodbury			
HealthEast I & II	114,216	21,600,999	100.00%
Minnetonka			
Hospitality Associates	4,000	400,898	n/a%
Moorhead			
Pioneer Seed Company	13,600	653,876	100.00%
Plymouth			
Plymouth Tech IV	53,309	5,891,898	n/a%
Plymouth Tech V	73,500	8,136,431	n/a%
Rochester			
Maplewood Square	118,397	11,898,946	98.31%
St. Cloud			
Cold Spring Center	77,533	8,395,539	n/a%
Waconia			
Stone Container	29,440	1,666,518	100.00%

n/a - non-stabilized property acquired in Fiscal 2001.

Commercial Properties by IRET - *continued*

	Sq. Ft.	Investment	Fiscal 2001 Occupancy
Minnesota - <i>continued</i>			
Winsted			
Sternier Lighting	38,000	1,000,789	n/a%
Minnesota Total	1,430,460	\$ 143,191,654	99.73%
Montana			
Belgrade			
Edgewood Vista	5,100	\$ 453,494	100.00%
Billings			
Creekside Office Park	37,318	1,868,570	81.39%
Edgewood Vista	11,971	980,218	100.00%
Kalispell			
Edgewood Vista	5,895	568,150	100.00%
Missoula			
Edgewood Vista	10,314	962,428	100.00%
Montana Total	70,598	\$ 4,832,860	90.38%
Nebraska			
Columbus			
Edgewood Vista	5,100	\$ 455,626	100.00%
Freemont			
Edgewood Vista	5,100	546,410	100.00%
Grand Island			
Edgewood Vista	5,100	455,626	100.00%
Hastings			
Edgewood Vista	5,100	565,777	100.00%
Omaha			
Ameritrade Headquarters	73,774	8,306,535	100.00%
Barnes & Noble	27,500	3,699,197	100.00%
Edgewood Vista	5,100	611,370	100.00%
Nebraska Total	126,774	\$ 14,640,541	100.00%
North Dakota			
Bismarck			
Lester Chiropractic Clinic	5,400	\$ 268,917	100.00%
Fargo			
Barnes & Noble	30,000	3,259,893	100.00%
Great Plains Campus Facility	121,600	15,375,154	100.00%
Petco	18,000	1,278,934	100.00%
Stone Container	193,350	7,000,364	100.00%
Grand Forks			
Carmike Theatre	28,300	2,545,737	100.00%
MedPark Mall	45,328	5,642,950	97.31%
Minot			
1st Avenue Building	15,900	533,765	58.82%
12 South Main	11,300	389,205	93.25%
17 South Main	6,500	90,000	100.00%
114 South Main Street	3,500	111,996	0.00%
401 South Main	11,200	659,914	90.41%
Arrowhead Shopping Center	80,000	2,973,786	98.74%
Corner Express C-Store	4,674	1,581,260	100.00%
Edgewood Vista	97,821	6,270,707	100.00%
Minot Plaza	10,020	509,954	100.00%
North Dakota Total	682,893	\$ 48,492,536	98.52%

n/a - non-stabilized property acquired in Fiscal 2001.

Commercial Properties by IRET - *continued*

	Sq. Ft.	Investment	Fiscal 2001 Occupancy
South Dakota			
Rapid City			
Conseco	75,815	\$ 7,044,870	100.00%
Sioux Falls			
Edgewood Vista	11,971	974,739	100.00%
South Dakota Total	87,786	\$ 8,019,609	100.00%
Total Commercial Property	2,513,518	\$ 230,058,846	98.59%

Mortgage Loans Receivable

Mortgages	04/30/01 Balance	Rate
\$100,000 to \$500,000	\$ 992,828	8-11%
\$50,000 to \$99,999	0	n/a
\$20,000 to \$49,999	43,313	8%
Less than \$20,000	954	7%
Total	\$ 1,037,095	



HealthEast I - Woodbury, Minnesota



Summary of Investment Portfolio

Real Estate Investments

Property owned	\$ 591,636,468
Less accumulated depreciation	(44,093,145)
	547,543,323
Mortgage loans receivable	1,037,095
Total real estate investments	\$ 548,580,418

Other Assets

Cash	\$ 6,356,063
Marketable securities - held-to-maturity	2,351,248
Marketable securities - available-for-sale	660,865
Rent receivable	1,925,429
Prepaid and other assets	799,973
Real estate deposits	522,500
Tax and insurance escrow	4,323,960
Furniture and fixtures	187,313
Goodwill	1,550,246
Deferred charges	3,064,109
Total Assets	\$ 570,322,124

Management's Discussion and Analysis of Financial Condition and Results of Operations

IRET has operated as a "real estate investment trust" under Sections 856-858 of the Internal Revenue Code since its formation in 1970 and is in the business of owning income-producing real estate investments, both residential and commercial.

On February 1, 1997, IRET re-structured itself as an Umbrella Partnership Real Estate Investment Trust (UPREIT). IRET, through its wholly owned subsidiary, IRET, Inc., is the general partner of IRET Properties, a North Dakota limited partnership (the "Operating Partnership").

On July 1, 2000, IRET became "self-advised" as a result of the acquisition of the advisory business and assets of Odell-Wentz and Associates, L.L.C. Prior to that date, Odell-Wentz had been the advisor to the Trust and had furnished office space, employees, and equipment to conduct all of the day-to-day operations of IRET. The Operating Partnership issued 255,000 of its limited partnership units with an agree value of \$8.17 per unit to Odell-Wentz and Associates, L.L.C. in exchange for the advisory business and assets. The per unit price was set at 95% of the offering price for new IRET shares which was \$8.60 per share as of July, 2000. The valuation of the advisory business and assets of \$2,083,350 was determined by an independent appraisal of the business and assets by a certified public accounting firm not otherwise employed by either IRET or the advisory company. All employees of the advisory company became employees of IRET Properties on July 1, 2000, with the exception of Roger R. Odell who retired.

No other material change in IRET's business is contemplated at this time.

The following discussion and analysis should be read in conjunction with the attached audited financial statements prepared by Brady, Martz & Associates, P.C. of Minot, North Dakota, certified public accountants, which firm and its predecessors have served as the auditor for IRET since its inception in 1970.

Certain matters included in this discussion are forward-looking statements within the meaning of federal securities laws. Although IRET believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that the expectations expressed will actually be achieved. Many factors may cause actual results to differ materially from IRET's current expectations, including general economic conditions, local real estate conditions, the general level of interest rates and the availability of financing, timely completion and lease-up of properties under construction, and various other economic risks inherent in the business of owning and operating investment real estate.

RESULTS OF OPERATIONS - Fiscal Years Ended April 30, 2001, 2000, and 1999

IRET operates on a fiscal year ending on April 30. The following discussion and analysis is for the fiscal years ended April 30, 2001, 2000, and 1999.

REVENUES

Total revenues of the Operating Partnership for Fiscal 2001 were \$75,767,150, compared to \$55,445,193 in Fiscal 2000 and \$39,927,262 in Fiscal 1999. The increase in revenues received during Fiscal 2001 in excess of the prior year revenues was \$20,321,957. This increase resulted from:

Rent from 28 properties acquired/completed in Fiscal 2001	\$ 6,890,585
Rent from 27 properties acquired in Fiscal 2000 in excess of that received in 2000	12,888,919
Increase in rental income on existing properties	93,420
A decrease in Boise Warehouse rent (<i>bankruptcy of tenant</i>)	(36,301)
A decrease in rent - properties sold in 2001	(32,404)
A decrease in interest income	(371,585)
An increase in straight-line rents	383,015
An increase in ancillary income	506,308
	\$ 20,321,957

Investors Real Estate Trust and Subsidiaries

The increase in revenues received during Fiscal 2000 in excess of that received in Fiscal 1999 was \$15,517,931. This increase resulted from:

Rent from 27 properties acquired/completed in Fiscal 2000	\$ 10,206,154
Rent from 12 properties acquired in Fiscal 1999 in excess of that received in 1999	4,419,227
An increase in rental income on existing properties	579,151
A decrease in rent on the Boise, Idaho Furniture Store (<i>bankruptcy of tenant</i>)	(38,622)
A decrease in rent - properties sold during 1999	(524,680)
An increase in interest income	45,337
An increase in rent (<i>straight-line calculations</i>)	831,364
	\$ 15,517,931

As shown by the above analysis, the Fiscal 2001 and 2000 increases in revenues resulted primarily from the addition of new real estate properties to the Operating Partnership's portfolio. Rents received on properties owned at the beginning of Fiscal 2000 increased by \$579,151 in Fiscal 2000 and only \$93,420 in Fiscal 2001. Thus, new properties generated most of the new revenues during the past two years.

The following is an analysis of the contribution by each of the two categories of real estate owned by IRET - residential and commercial - to IRET revenues as compared to the year-end depreciated cost of each:

Fiscal Years Ended 4/30	2001		2000		1999	
Property Cost (<i>less depreciation</i>)						
Commercial	\$ 218,261,880	40%	\$ 112,511,467	27%	\$ 60,141,248	22%
Residential	329,281,443	60%	304,175,471	73%	209,572,192	78%
Total	\$ 547,543,323	100%	\$ 416,686,938	100%	\$ 269,713,440	100%

Revenues						
Commercial	\$ 18,994,010	25%	\$ 11,878,026	22%	\$ 5,775,161	15%
Residential	55,806,712	75%	42,379,855	78%	33,010,126	85%
Total	\$ 74,800,722	100%	\$ 54,257,881	100%	\$ 38,785,287	100%

Expenses (<i>before depreciation - see Note 11 to Financial Statement for detail</i>)						
Commercial	\$ 10,649,488	21%	\$ 6,417,909	18%	\$ 2,814,299	11%
Residential	39,500,071	79%	29,288,023	82%	22,440,129	89%
Total	\$ 50,149,559	100%	\$ 35,705,932	100%	\$ 25,254,428	100%

Segment Gross Profit (<i>before depreciation</i>)						
Commercial	\$ 8,344,522	34%	\$ 5,460,117	29%	\$ 2,960,862	22%
Residential	16,306,641	66%	13,091,832	71%	10,569,997	78%
Total	\$ 24,651,163	100%	\$ 18,551,949	100%	\$ 13,530,859	100%

CAPITAL GAIN INCOME

The Operating Partnership realized capital gain income for Fiscal 2001 of \$601,605. This compares to \$1,754,496 of capital gain income recognized in Fiscal 2000 and the \$1,947,184 recognized in Fiscal 1999. A list of the properties sold during each of these years showing sales price, depreciated cost plus sales costs and net gain (loss) is included in a later section of this discussion.

EXPENSES AND NET INCOME

The Operating Partnership's operating income for Fiscal Year 2001 increased to \$10,187,812 from \$8,548,558 earned in Fiscal 2000 and \$6,401,676 earned in Fiscal 1999. IRET's Net Income for generally accepted accounting purposes for Fiscal 2001 was \$8,694,240, compared to \$8,807,845 in Fiscal 2000 and \$7,604,135 in Fiscal 1999. On a per share basis, net income was \$.38 per share in Fiscal 2001 compared to \$.42 in Fiscal 2000 and \$.44 in Fiscal 1999.

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

For Fiscal 2001, a decrease in net income of \$113,605, resulting from:

A decrease in gain on sale of investments	\$ (1,152,891)
An increase in net rental income	12,572,228
A decrease in interest income	(371,585)
An increase in ancillary income	506,308
An increase in interest expense	(8,217,228)
An increase in depreciation expense	(3,839,420)
An increase in operating expenses, administrative, advisory & trustee services	(119,274)
An increase in amortization expense	(212,091)
An increase in minority interest of operating partnership	(598,968)
A decrease in loss on impairment	1,319,316
	<u>\$ (113,605)</u>

The \$1,203,710 increase in net taxable income for Fiscal 2000 over the net income earned in the prior fiscal year resulted from:

A decrease in gain from sale of investments	\$ (192,688)
An increase in net rental income <i>(rents, less utilities, maintenance, taxes, insurance and management)</i>	11,432,978
An increase in interest income	45,337
An increase in interest expense	(4,912,189)
An increase in depreciation expense	(2,493,238)
An increase in operating expenses and advisory trustee services	(545,270)
An increase in amortization expense	(61,420)
An increase in minority interest of operating partnership income	(750,484)
An increase in loss on impairment of properties	(1,319,316)
	<u>\$ 1,203,710</u>

TELEPHONE ENDORSEMENT FEE

During Fiscal 2001, IRET received a payment of \$869,505 from a major telecommunications provider for allowing marketing access by that company to residents of apartment communities owned by IRET, totaling 5,863 units. The contract provides that IRET will allow promotional materials to be placed in its apartment communities advertising the availability of telecommunication services over a 12-year period. Of this payment, \$110,979 was recognized as income by IRET during Fiscal 2001. The balance of \$758,526 will be recognized ratably over the remaining portion of the contract period and there is a possibility of a refund of these monies if IRET should violate the contractual terms of the agreement.

RESULTS FROM STABILIZED PROPERTIES

IRET defines fully stabilized properties as those both owned at the beginning of the prior fiscal year and having completed the rent-up phase (90% occupancy). "Same store" results for Fiscal 2001 and 2000 for residential and commercial were:

Same Store - Residential	Fiscal 2001	Fiscal 2000	% Increase
Scheduled Rent	\$ 38,228,938	\$ 37,471,897	2.0%
Total Receipts	37,957,512	36,615,535	3.7%
Utilities & Maintenance	8,020,633	6,757,467	18.7%
Management YTD	3,770,137	3,615,178	4.3%
Taxes & Insurance	4,104,636	4,021,124	2.1%
Mortgage Interest	9,250,331	10,259,450	-10.9%
Total Expenses	\$ 25,145,737	\$ 24,653,219	2.0%
Net Operating Income	\$ 12,811,775	\$ 11,962,316	7.1%

Same Store - Commercial	Fiscal 2001	Fiscal 2000	% Increase
Scheduled Rent	\$ 6,439,820	\$ 6,298,261	2.2%
Total Receipts	6,318,864	6,146,533	2.8%
Utilities & Maintenance	336,672	285,478	17.9%
Management YTD	73,638	58,356	26.2%
Taxes & Insurance	210,145	200,784	7.7%
Mortgage Interest	2,799,274	2,831,082	-11.2%
Total Expenses	\$ 3,419,729	\$ 3,375,700	1.3%
Net Operating Income	\$ 2,899,135	\$ 2,770,833	4.6%

FUNDS FROM OPERATIONS

IRET considers Funds From Operations ("FFO") a useful measure of performance for an equity REIT. FFO is defined as net income available to shareholders determined in accordance with generally accepted accounting principles (GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real estate assets, and after adjustment for unconsolidated partnerships and joint ventures. IRET uses the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO as amended by NAREIT to be effective January 1, 2000. FFO for any period means the net income of the company for such period, excluding gains or losses from debt restructuring and sales of property, and plus depreciation and amortization of real estate assets in IRET's investment portfolio, and after adjustment for unconsolidated partnerships and joint ventures, all determined on a consistent basis in accordance with GAAP.

FFO presented herein is not necessarily comparable to FFO presented by other real estate companies because not all real estate companies use the same definition.

FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as a measure of IRET's liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of IRET's needs or its ability to service indebtedness or make distributions.

Funds From Operations for the Operating Partnership increased to \$22,440,463 for Fiscal 2001, compared to \$18,327,986 for Fiscal 2000 and \$12,368,550 for Fiscal 1999.

Calculations of Funds From Operations for the Operating Partnership are as follows:

Item	Fiscal 2001	Fiscal 2000	Fiscal 1999
Net Income available to IRET shareholders and unitholders from operations and capital gains	\$ 10,789,417	\$ 11,622,370	\$ 8,348,860
Less gain from property sales	(601,605)	(1,754,496)	(1,947,184)
Operating income	\$ 10,187,812	\$ 9,867,874	\$ 6,401,676
Plus real estate depreciation and amortization (1)	12,252,651	8,460,112	5,966,874
Funds From Operations	\$ 22,440,463	\$ 18,327,986	\$ 12,368,550
Weighted average shares and units outstanding - basic and diluted (2)	28,577,700	24,476,984	19,104,465
Distributions paid to Shareholders/Unitholders (3)	\$ 15,732,399	\$ 12,492,067	\$ 8,984,996

(1) Depreciation on office equipment and other assets used by the Company are excluded. Amortization of financing and other expenses are excluded, except for amortization of leasing commissions which are included.

(2) Limited Partnership Units of the Operating Partnership are exchangeable for Shares of Beneficial Interest of IRET only on a one-for-one basis.

(3) Distributions made equally on shares and units.

SELF-ADVISED STATUS

On July 1, 2000, IRET Properties became self-advised. Prior to that date, Odell-Wentz and Associates, L.L.C., pursuant to an advisory contract with IRET, provided all office space, personnel, office equipment, and other equipment and services necessary to conduct all of the day-to-day operations of IRET. Odell-Wentz and its predecessor firms had acted as advisor to the Trust since its inception in 1970. IRET obtained an independent appraisal of the value of the advisory business and assets from certified public accounts not otherwise employed by either IRET or the advisory company. The purchase price for the business and assets was \$2,083,350 allocated as follows:

Real Estate	\$ 475,000
Furniture, Fixtures & Other Assets	193,350
Goodwill	1,645,000
Less Real Estate Mortgages Assumed	(230,000)
Purchase Price	\$ 2,083,350

IRET Properties issued 255,000 of its limited partnership units at a value of \$8.17 per unit which represented 95% of the price of shares offered by IRET in July, 2000, in exchange for the above-described assets. Except for Roger R. Odell, who retired on July 1, 2000, all officers and employees of Odell-Wentz and Associates, L.L.C. were retained by IRET Properties.

PROPERTY ACQUISITIONS

The Operating Partnership added \$143,042,292 of real estate investments to its portfolio during Fiscal 2001, compared to \$155,284,745 added in Fiscal 2000 and \$62,455,508 in Fiscal 1999. The Fiscal 2001 and 2000 additions are detailed below:

FISCAL 2001 PROPERTY ACQUISITIONS - For the Period of 05-01-2000 to 04-30-2001

Commercial			Net Rentable Square Feet	Purchase Price
12 South Main	Minot, ND	Office	11,300	\$ 385,000
17 South Main	Minot, ND	Office/Apartments	6,500	90,000
2030 Cliff Road	Eagan, MN	Office	13,374	950,000
Burnsville Bluffs	Burnsville, MN	Office	26,186	2,400,000
Cold Springs Center	St. Cloud, MN	Office	77,533	8,250,000
Conseco Financial Building	Rapid City, SD	Office	75,815	6,850,000
Dewey Hill Business Center	Edina, MN	Office	73,338	4,472,895
Edgewood Vista Addition	Duluth, MN	Assisted Living	26,412	2,200,000
Edgewood Vista Addition	East Grand Forks, MN	Assisted Living	5,100	516,700
Edgewood Vista	Fremont, NE	Assisted Living	5,100	535,550
Edgewood Vista	Hastings, NE	Assisted Living	5,100	550,800
Edgewood Vista	Kalispell, MT	Assisted Living	5,895	560,000
Edgewood Vista	Omaha, NE	Assisted Living	5,100	610,800
HealthEast I & II	Woodbury & Maplewood, MN	Medical Office	114,216	21,588,498
Hospitality Associates	Minnetonka, MN	Office	4,000	400,000
Nicollet VII	Burnsville, MN	Office	118,400	7,200,000
Pillsbury Business Center	Bloomington, MN	Office	42,220	1,800,000
Plymouth IV & V	Plymouth, MN	Office	126,809	13,750,000
Sterner Lighting	Winsted, MN	Manufacturing	38,000	1,000,000
Stone Container Addition	Fargo, ND	Manufacturing	41,500	2,001,879
Stone Container	Waconia, MN	Warehouse	29,440	1,666,500
Southdale Medical Center	Edina, MN (60.31% part int.)	Medical Office	195,983	32,421,070
			1,047,321	\$ 110,199,692

FISCAL 2001 PROPERTY ACQUISITIONS - For the Period of 05-01-2000 to 04-30-2001- continued

Residential	Location	Units	Purchase Price
Olympic Village	Billings, MT	274	\$ 11,616,500
Prairiewood Meadows	Fargo, ND	85	2,811,000
Sunset Trail, Phase I	Rochester, MN	73	6,493,150
Cottonwood Phase III	Bismarck, ND***	67	1,854,800
Ridge Oaks	Sioux City, IA	132	4,195,036
Meadows, Phase III	Jamestown, ND***	27	1,865,182
Sunset Trail, Phase II	Rochester, MN**	n/a	4,006,932
		658	32,842,600
TOTAL			\$ 143,042,292

** Property not placed in service at April 30, 1999. Additional costs were to be incurred in Fiscal 2000.

*** Represents costs to complete a project started in year ending April 30, 2000.

FISCAL 2000 PROPERTY ACQUISITIONS - For The Period of 05-01-1999 to 04-30-2000

Commercial	Location	Property Type	Net Rentable Square Feet	Purchase Price
Maplewood Square	Rochester, MN	Retail	118,397	\$ 11,800,000
Great Plains	Fargo, ND	Software Mfg.	121,600	15,000,000
Edgewood Vista	Grand Island, NE	Assisted Living	5,100	446,000
Edgewood Vista	Columbus, NE	Assisted Living	5,100	446,000
Edgewood Vista	Belgrade, MT	Assisted Living	5,100	446,000
Corner C-Store	East Grand Forks, MN	Convenience Store	14,490	1,385,000
Flying Cloud Drive	Eden Prairie, MN	Office Building	61,217	4,900,000
Lexington Commerce Center	Eagan, MN	Office Warehouse	89,440	4,800,000
Northgate II	Maple Grove, MN	Office Warehouse	25,999	2,300,000
Southeast Tech Ctr.	Eagan, MN	Office Warehouse	58,300	6,050,000
MedPark Mall	Grand Forks, ND	Retail	45,328	5,300,000
Edgewood Vista	Duluth, MN	Assisted Living	57,187	4,800,000
			607,258	\$ 57,673,000
Apartments		Units		
Rimrock West	Billings, MT	78		\$ 3,750,000
Valley Park Manor	Grand Forks, ND	168		4,400,000
The Meadows I***	Jamestown, ND	27		247,700
Thomasbrook	Lincoln, NE	264		9,188,470
Pebble Creek	Bismarck, ND	18		720,000
Country Meadows II***	Billings, MT	67		3,010,325
Crown Colony	Topeka, KS	220		10,500,000
Sherwood	Topeka, KS	300		15,750,000
Sunset Trail**	Rochester, MN	n/a		1,500,000
Legacy IV	Grand Forks, ND	67		4,301,250
Dakota Hill	Irving, TX	504		36,500,000
The Meadows II	Jamestown, ND	27		1,845,000
Lancaster Place	St. Cloud, MN	84		3,200,000
The Meadows III**	Jamestown, ND	n/a		68,000
Cottonwood Lake III**	Bismarck, ND	n/a		2,631,000
		1,824		\$ 97,611,745
TOTAL				\$ 155,284,745

PROPERTY DISPOSITIONS

Real estate assets sold by the Operating Partnership during Fiscal 2000 and 1999 were as follows:

Property Sold	Sales Price	Book Value & Sales Costs	Gain
Fiscal 2001			
Evergreen Shopping Center - Evergreen, CO	\$ 1,450,000	\$ 1,448,310	\$ 1,689
Chalet Apartments - Minot, ND	390,000	366,566	23,434
Hill Park/aka Garden Grove - Bismarck, ND	2,400,000	1,823,518	576,482
Total Fiscal 2001 Gain			\$ 601,605

Fiscal 2000

Superpumper - Grand Forks, ND	\$ 485,000	\$ 398,521	\$ 86,479
Superpumper - Crookston, MN	428,000	338,097	89,903
Superpumper - Langdon, ND	239,000	174,648	64,352
Superpumper - Sydney, MT	120,000	102,839	17,161
Mandan Apartments - Mandan, ND	325,000	249,388	75,612
Sweetwater Apartments - Devils Lake, ND	480,000	144,697	335,303
Hutchinson Technology - Hutchinson, MN	5,200,000	4,090,997	1,109,003
Jenner 18-Plex - Devils Lake, ND	340,000	354,009	(14,009)
Virginia Apartments - Minot, ND	165,000	175,308	(10,308)
Installment Sales			1,000
Total Fiscal 2000 Gain			\$ 1,754,496

DIVIDENDS

The following dividends were paid during Fiscal Years 2001, 2000 and 1999:

Date	2001	2000	1999
July 1,	\$.1325	\$.124	\$.1100
October 1,	.1350	.126	.1150
January 15	.1400	.128	.1200
April 1, 2000	.1425	.130	.1225
	\$.5500	\$.508	\$.4675



HealthEast II - Maplewood, Minnesota



LIQUIDITY AND CAPITAL RESOURCES

Important equity capital and financing events in Fiscal 2001 were:

- As a result of the sale of additional Shares of Beneficial Interest, shareholder equity increased by \$9,024,569 and, in addition, the equity capital of the Operating Partnership was increased by \$23,885,524 as a result of contributions of real estate in exchange for Operating Units, resulting in a total increase in equity capital for the Operating Partnership of \$32,910,093.
- Mortgage loan indebtedness increased substantially due to the acquisition of new investment properties to \$368,956,930 on 04/30/01 from \$265,056,767 on 04/30/00, and \$175,071,069 on 04/30/99. The weighted interest rate on these loans decreased to 7.56% per annum from 7.59% on 04/30/00 compared to 7.12% at the end of Fiscal 1999.
- Of new real estate investments, \$143,042,292 was made by the Operating Partnership, compared to \$155,284,745 in Fiscal 2000 and \$62,455,508 in Fiscal 1999.
- Net cash provided from operating activities increased to \$22,328,745 from \$16,277,085 due to the addition of new investments to our real estate portfolio.
- Net cash used in investing activities declined to \$76,165,151 from the \$120,041,064 used in Fiscal 2000. This decrease resulted from the lesser amount of cash used to acquire new investment properties.
- Net cash provided from financing activities also declined to \$56,743,205 from the year earlier figure of \$103,500,190, again due to the lower activity in acquiring new properties for cash and borrowed funds.

IRET expects that its short-term liquidity requirements will be met through the net cash provided by its operations and also expects that it will meet its long-term liquidity requirements including scheduled debt maturities, construction and development activities, and property acquisitions through long-term secured borrowings and the issuance of additional equity securities by the Operating Partnership, including Shares of Beneficial Interest of the company as well as limited partnership units of the Operating Partnership to be issued in connection with acquisitions of improved real estate properties. IRET believes that its net cash provided by operations will continue to be adequate to meet both operating requirements and the payment of dividends in accordance with REIT requirements in both the short and long term. Budgeted expenditures for ongoing maintenance and capital improvements and renovations to its real estate portfolio are expected to be funded from cash flow generated from operations of these properties.

Of the \$368,956,930 of mortgage indebtedness on April 30, 2001, \$31,592,149 was variable rate mortgages on which the future interest rate will vary based on changes in the interest rate index for each such loan and the balance of fixed rate mortgages was \$337,364,781. The principal payments due on all of the mortgage indebtedness are as follows:

Year Ending April 30	Mortgage Principal Payments Due
2002	\$ 14,474,108
2003	8,298,146
2004	8,940,912
2005	9,746,970
2006	13,133,365
Later Years	314,363,429
Total Payments	\$ 368,956,930

IRET has the following properties under construction: a 73-unit apartment complex in Rochester, Minnesota and, as of April 30, 2001, the estimated cost of completing this complex is \$2,500,000, and a 27-unit apartment complex in Jamestown, North Dakota with an additional estimated cost of completion at April 30, 2001, of \$500,000. In addition, as of April 30, 2001, IRET is committed to provide construction financing for an assisted living and Alzheimer care facility in Virginia, Minnesota for \$7,000,000. IRET had no other commitments for the development of new real estate properties on April 30, 2001. IRET considers its existing cash and borrowing capacities to be adequate to fund its existing development activities.

The following is a summary of IRET's equity capital and liability conditions at the end of Fiscal 2001 as compared to prior periods:

- IRET's shareholder equity increased to \$118,945,160 from \$109,920,591 on April 30, 2000, and from \$85,783,297 on April 30, 1999. These increases resulted from the sale of Shares of Beneficial Interest and the reinvestment of dividends in new shares.
- Liabilities of the Operating Partnership increased to \$389,086,105 from \$287,940,038 on April 30, 2000, and \$191,229,475 as of April 30, 1999. These increases resulted from increased mortgage loans to finance the acquisition of real estate properties.
- Total assets of the Operating Partnership increased to \$570,322,124 from \$432,978,299 on April 30, 2000, and \$291,493,311 as of April 30, 1999, again, as a result of investments in additional real estate properties.
- Cash and marketable securities were \$9,368,176, compared to \$6,623,495 on April 30, 2000, and \$7,412,236 on April 30, 1999.
- In addition to its cash and marketable securities, IRET Properties has unsecured line of credit agreements with First International Bank & Trust, Bremer Bank, and First Western Bank & Trust, all of Minot, North Dakota, totaling \$17,500,000, none of which were in use on April 30, 2001. On April 30, 2000, \$6,452,420 was in use. Credit lines in Fiscal 1999 totaling \$11,500,000 were not in use at the end of 1999.

IMPACT OF INFLATION

In Fiscal 2001, IRET experienced a sharp increase in the cost of utilities (primarily natural gas) in its apartment communities. Of the \$3,502,036 total increase in utility and maintenance expense in Fiscal 2001 over the prior year, it is estimated that approximately \$800,000 was increased natural gas and snow removal expense. Since that time, natural gas prices have retreated, but it is possible that IRET's apartment communities will again experience a sharp increase in utility expenses which may not be recoverable in the form of increased rent. Maintenance and other rental expenses also continue to increase at the general inflationary rate of 2-3%. In most cases, IRET has been able to increase rental income sufficient to cover the normal inflationary increases in rental expenses, but did experience a substantial loss as a result of increased natural gas and snow removal expenses in Fiscal 2001. With respect to IRET's commercial properties, in virtually all cases the tenant is responsible to pay utilities and most other rental expenses. However, commercial leases tend to be of a longer term and IRET is precluded from increasing rent to compensate for inflationary changes in currency values. In the case of residential properties, no leases are longer than one year and the majority are for six months or less and thus IRET may raise rent to cover inflationary changes in expenses and the value of its capital investment, subject to market conditions.

COMPETITION

All of IRET's properties, both residential and commercial, are located in developed areas that include other competing properties. The competitive properties in a particular area could have a material effect on IRET's ability to lease its existing properties or any newly developed or acquired properties and on the rents charged. IRET may be competing with others that have greater resources. In addition, with respect to IRET apartment communities, other forms of properties, including single-family housing, provide housing alternatives to potential residents of IRET apartment communities.

AMERICANS WITH DISABILITIES ACT

All IRET properties must comply with Title III of the Americans with Disabilities Act (the "ADA") to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the ADA. Compliance with the ADA requirements could require removal of structural barriers to handicapped access in certain public areas of the IRET properties where such removal is readily achievable. The ADA does not, however, consider residential properties, such as apartment communities, to be public accommodations or commercial facilities, except to the extent portions of such facilities, such as the leasing office, are open to the public. IRET believes that its properties comply with all present requirements under the ADA and applicable state laws. Noncompliance could result in imposition of fines or an award of damages to private litigants. If required to make material additional changes, IRET's results of operations could be adversely affected.

ENVIRONMENTAL REGULATIONS

IRET is subject to federal, state and local environmental regulations that apply to the development of real property, including construction activities, the ownership of real property, and the operation of commercial and multi-family apartment communities.

In developing properties and constructing apartments, IRET utilizes environmental consultants to determine whether there are any flood plains, wetlands or environmentally sensitive areas that are part of the property to be developed. If flood plains are identified, development and construction is planned so that flood plain areas are preserved or alternative flood plain capacity is created in conformance with federal and local flood plain management requirements.

Storm water discharge from a construction facility is evaluated in connection with the requirements for storm water permits under the Clean Water Act. This is an evolving program in most states. IRET currently anticipates it will be able to obtain storm water permits for existing or new development.

The Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. sec. 9601 et seq. ("CERCLA"), and applicable state superfund laws subject the owner of real property to claims or liability for the costs of removal or remediation of hazardous substances that are disposed of on real property in amounts that require removal or remediation. Liability under CERCLA and applicable state superfunds laws can be imposed on the owner of real property or the operator of a facility without regard to fault or even knowledge of the disposal of hazardous substances on the property or at the facility. The presence of hazardous substances in amounts requiring response action or the failure to undertake remediation where it is necessary may adversely affect the owner's ability to sell real estate or borrow money using such real estate as collateral. In addition to claims for cleanup costs, the presence of hazardous substances on a property could result in a claim by a private party for personal inquiry or a claim by an adjacent property owner for property damage.

IRET has a policy that requires an environmental investigation of each property that it considers for purchase or that it owns and plans to develop. The environmental investigation is conducted by a qualified environmental consultant. If there is any indication of contamination, sampling of the property is performed by the environmental consultant. The environmental investigation report is reviewed by IRET prior to purchase of any property. If necessary, remediation of contamination, including underground storage tanks, is undertaken prior to development.

IRET has not been notified by any governmental authority of any noncompliance, claim, or liability in connection with any of its properties, nor of a claim for personal injury or property damage by a private party in connection with environmental conditions and is not aware of any other environmental condition with respect to any of its properties that could be considered to be material.

30 Calendar Year History of Increasing Dividends

Since its first dividend paid July 1, 1971, IRET has never delayed, omitted or reduced its quarterly dividend and in each of the last 30 calendar years, the annual dividend has increased over the amount paid in the preceding year.

SHARE BID PRICE HISTORY		DIVIDEND HISTORY		TOTAL RETURN PER YEAR	
1971	\$1.00	1971	2.75¢	1971	2.8%
1972	1.10	1972	6.20¢	1972	16.2%
1973	1.30	1973	6.55¢	1973	24.1%
1974	1.40	1974	7.10¢	1974	13.2%
1975	1.50	1975	8.00¢	1975	12.9%
1980	1.80	1980	13.25¢	1980	13.7%
1985	3.15	1985	24.25¢	1985	19.5%
1990	4.50	1990	29.90¢	1990	12.1%
1995	6.16	1995	35.25¢	1995	10.6%
1996	6.44	1996	37.38¢	1996	10.6%
1997	7.13	1997	40.18¢	1997	17.0%
1998	7.44	1998	43.70¢	1998	10.5%
1999	7.88	1999	49.25¢	1999	12.5%
2000	7.88	2000	52.55¢	2000	6.7%
2001*	8.80	2001*	56.50¢	2001*	18.8%

(End of calendar year bid price per share of beneficial interest of IRET)

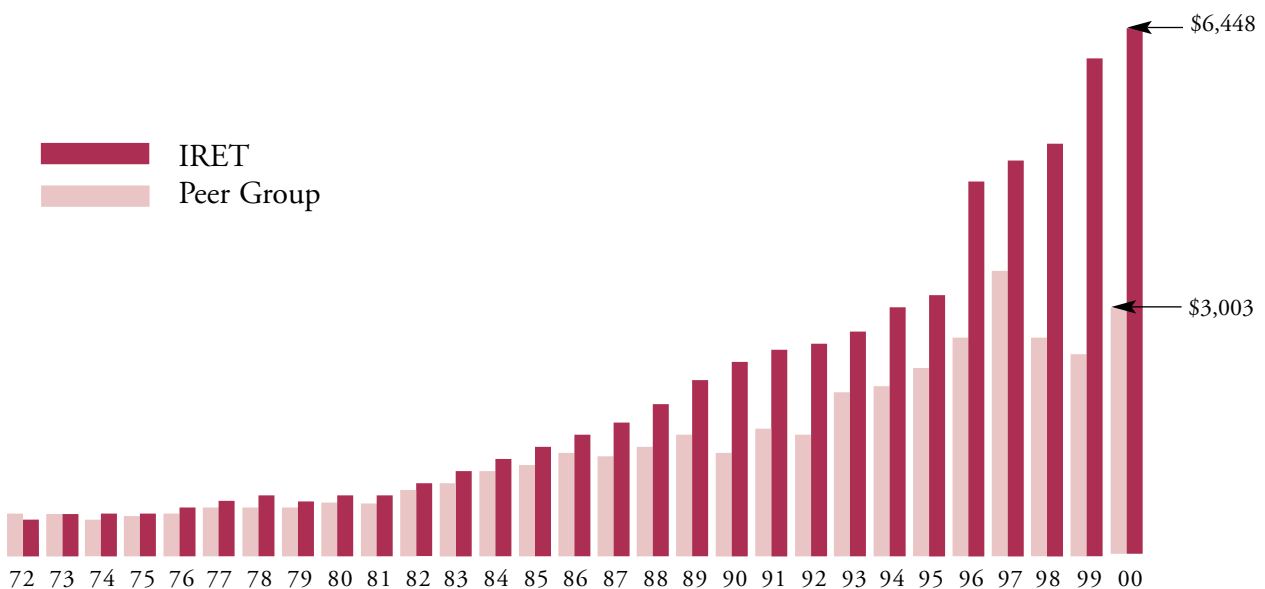
(Total calendar year dividends paid)

Dividends plus share price changes. (Calendar year dividends paid plus change in share bid price divided by previous end of year share bid price.)

* Annualized as of 06/30/01 - Conversion of actual financial results for the first six months of the calendar year as of June 30, 2001, into a rate calculation and then annualized into an annual equivalent rate of return.

30 Calendar Year Performance Comparison

The graph below provides an indicator of the cumulative shareholder returns for the Trust compared to our peer group (1). The comparison assumes the investment of \$100.00 in the stock of IRET and in the stock of our peer group, and the reinvestment of all dividends. No commissions or income tax impact are reflected in this comparison.



(1) The peer group consists of the real estate investment trusts included by the National Association of Real Estate Investment Trusts in its Equity Total Return Index.

INDEPENDENT AUDITOR'S REPORT

**BRADY
MARTZ**

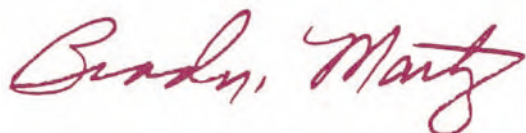
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Investor Real Estate Trust
and Subsidiaries
Minot, North Dakota

We have audited the accompanying consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended April 30, 2001, 2000 and 1999. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis of our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the consolidated results of its operations and cash flows for the years ended April 30, 2001, 2000 and 1999, in conformity with accounting principles generally accepted in the United States of America.



BRADY, MARTZ & ASSOCIATES, P.C.
Minot, North Dakota

May 23, 2001

CONSOLIDATED BALANCE SHEETS

Years Ended April 30,	2001	2000
ASSETS		
Real estate investments		
Property owned	\$ 591,636,468	\$ 449,919,890
Less accumulated depreciation	(44,093,145)	(33,232,952)
	\$ 547,543,323	\$ 416,686,938
Mortgage loans receivable	1,037,095	1,529,578
Total Real Estate Investments	\$ 548,580,418	\$ 418,216,516
Other Assets		
Cash	\$ 6,356,063	\$ 3,449,264
Marketable securities - held-to-maturity	2,351,248	2,601,420
Marketable securities - available-for-sale	660,865	572,811
Rent receivable	1,925,429	1,055,922
Real estate deposits	522,500	768,850
Prepaid and other assets	799,973	577,624
Tax and insurance escrow	4,323,960	3,218,603
Furniture and fixtures	187,313	0
Goodwill	1,550,246	0
Deferred charges and leasing costs	3,064,109	2,517,289
Total Assets	\$ 570,322,124	\$ 432,978,299
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$ 8,252,758	\$ 6,343,595
Notes payable	0	6,452,420
Mortgages payable	368,956,930	265,056,767
Investment certificates issued	11,876,417	10,087,256
Total Liabilities	\$ 389,086,105	\$ 287,940,038
Minority interest in partnerships	\$ 3,287,665	\$ 0
Minority interest of unit holders in operating partnership	\$ 59,003,194	\$ 35,117,670
Shareholder's Equity		
Shares of beneficial interest (unlimited authorization, no par value, 24,068,346 shares outstanding in 2001 and 22,452,069 shares outstanding in 2000)	\$ 132,148,768	\$ 119,233,172
Accumulated distributions in excess of net income	(13,073,157)	(9,094,076)
Accumulated other comprehensive income/loss	(130,451)	(218,505)
Total shareholders' equity	\$ 118,945,160	\$ 109,920,591
Total Liabilities and Shareholders' Equity	\$ 570,322,124	\$ 432,978,299

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended April 30,	2001	2000	1999
REVENUE			
Real estate rentals	\$ 74,800,722	\$ 54,257,881	\$ 38,785,287
Interest, discounts and fees	966,428	1,187,312	1,141,975
Total Revenue	\$ 75,767,150	\$ 55,445,193	\$ 39,927,262
EXPENSES			
Interest	\$ 25,231,398	\$ 17,014,170	\$ 12,101,981
Depreciation	12,299,532	8,460,112	5,966,874
Utilities and maintenance	11,546,566	8,044,530	6,356,483
Taxes	7,545,182	5,282,361	4,025,559
Insurance	831,963	476,962	384,203
Property management expenses	5,784,423	4,290,275	3,288,267
Loss on impairment of properties	0	1,319,316	0
Administrative expenses	1,057,469	0	0
Advisory and trustee services	423,227	1,159,120	844,901
Operating expenses	431,390	633,692	402,641
Amortization	428,188	216,097	154,677
Total Expenses	\$ 65,579,338	\$ 46,896,635	\$ 33,525,586
Income before gain/loss on properties and minority interest	\$ 10,187,812	\$ 8,548,558	\$ 6,401,676
Gain on sale of properties	601,605	1,754,496	1,947,184
Minority interest portion of operating partnership income	(2,095,177)	(1,495,209)	(744,725)
NET INCOME	\$ 8,694,240	\$ 8,807,845	\$ 7,604,135
Net income per share (basic and diluted)	\$.38	\$.42	\$.44

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	NUMBER OF SHARES	SHARES OF BENEFICIAL INTEREST	DISTRIBUTIONS IN EXCESS OF NET INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDER'S EQUITY
BALANCE APRIL 30, 1998	16,391,412	\$ 74,708,559	\$ (6,666,555)	\$ 110,622	\$ 68,152,626
Comprehensive Income					
Net income	0	0	7,604,135	0	7,604,135
Unrealized loss on securities available for sale	0	0	0	(167,189)	(167,189)
Total comprehensive income					\$ 7,436,946
Dividends distributed	0	0	(8,193,538)	0	(8,193,538)
Dividends reinvested	762,051	5,389,464	0	0	5,389,464
Sale of shares	2,368,504	16,284,684	0	0	16,284,684
Shares repurchased	(455,013)	(3,286,888)	0	0	(3,286,888)
BALANCE APRIL 30, 1999	19,066,954	\$ 93,095,819	\$ (7,255,958)	\$ (56,567)	\$ 85,783,294
Comprehensive income					
Net income	0	0	8,807,845	0	8,807,845
Unrealized loss on securities available for sale	0	0	0	(161,938)	(161,938)
Total comprehensive income					\$ 8,645,907
Dividends distributed	0	0	(10,645,963)	0	(10,645,963)
Dividends reinvested	803,192	6,330,301	0	0	6,330,301
Sales of shares	3,115,789	24,022,246	0	0	24,022,246
Shares repurchased	(533,866)	(4,215,194)	0	0	(4,215,194)
BALANCE APRIL 30, 2000	22,452,069	\$ 119,233,172	\$ (9,094,076)	\$ (218,505)	\$ 109,920,591
Comprehensive income					
Net income	0	0	8,694,240	0	8,694,240
Unrealized loss on securities available for sale	0	0	0	(88,054)	(88,054)
Total comprehensive income					\$ 8,782,294
Dividends distributed	0	0	(12,673,321)	0	(12,673,321)
Dividends reinvested	273,155	2,230,445	0	0	2,230,445
Sales of shares	1,383,908	11,001,509	0	0	11,001,509
Fractional shares repurchased	(40,786)	(316,358)	0	0	(316,358)
BALANCE APRIL 30, 2001	24,068,346	\$ 132,148,768	\$ (13,073,157)	\$ (130,451)	\$ 118,945,160

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended April 30,	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 8,694,240	\$ 8,807,845	\$ 7,604,135
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,727,720	8,676,209	6,121,551
Minority interest portion of operating partnership income	2,095,177	1,495,209	744,725
Accretion of discount on contracts	0	(1,506)	(2,920)
Gain on sale of properties	(601,605)	(1,754,496)	(1,947,184)
Loss on impairment of properties	0	1,319,316	0
Interest reinvested in investment certificates	360,181	363,935	408,097
Effects on operating cash flows due to changes in:			
(Increase) decrease in real estate deposits	246,350	(467,950)	2,192,813
(Increase) decrease in rent receivable	(990,213)	(1,055,922)	0
(Increase) decrease in other assets	(201,547)	(283,838)	(11,884)
Increase in tax and insurance escrow	(1,105,357)	(1,457,408)	(507,127)
Increase in deferred charges	(805,364)	(1,319,634)	(480,413)
Increase (decrease) in accounts payable and accrued expenses	1,909,163	1,955,325	1,541,190
Net cash provided from operating activities	\$ 22,328,745	\$ 16,277,085	\$ 15,662,983
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of marketable securities held-to-maturity	\$ 250,172	\$ 363,014	\$ 572,104
Principal payments on mortgage loans receivable	613,934	492,547	372,155
Proceeds from sale of property	0	7,326,563	435,787
Payments for acquisitions and improvement of properties	(72,319,419)	(121,931,571)	(45,325,061)
Purchase of marketable securities available-for-sale	0	0	(181,250)
Investment in mortgage loans receivable	(4,709,838)	(6,291,617)	(7,655,061)
Net cash used for investing activities	\$ (76,165,151)	\$ (120,041,064)	\$ (51,781,326)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of shares, net of issue costs	\$ 11,001,509	\$ 24,022,246	\$ 16,284,684
Proceeds from investment certificates issued	3,257,574	3,769,003	4,591,528
Proceeds from mortgages payable	79,369,000	93,969,098	32,326,973
Repurchase of shares and minority interest units	(5,497,952)	(4,832,012)	(3,534,813)
Dividends paid	(5,963,290)	(4,315,662)	(2,804,074)
Distributions paid to minority interest unitholders	(3,059,078)	(1,846,104)	(791,458)
Redemption of investment certificates	(1,828,594)	(5,815,818)	(3,599,050)
Principal payments on mortgage loans	(14,083,544)	(7,902,981)	(3,774,614)
Net increase (decrease) in short-term lines of credit	(6,452,420)	6,452,420	(1,000,000)
Net cash provided from financing activities	\$ 56,743,205	\$ 103,500,190	\$ 37,699,176
NET INCREASE (DECREASE) IN CASH	\$ 2,906,799	\$ (263,789)	\$ 1,580,833
CASH AT BEGINNING OF YEAR	3,449,264	3,713,053	2,132,220
CASH AT END OF YEAR	\$ 6,356,063	\$ 3,449,264	\$ 3,713,053

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS • *continued*

Years Ended April 30,	2001	2000	1999
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Dividend reinvestment plan	\$ 2,230,445	\$ 6,330,301	\$ 5,389,464
Real estate investment and mortgage loans receivable acquired through assumption of mortgage loans payable and accrual of costs	38,611,547	4,049,568	12,458,735
Mortgage loan receivable transferred to property owned	4,709,838	15,000,000	0
Proceeds from sale of properties deposited directly with escrow agent	4,093,684	0	6,863,691
Properties acquired through the issuance of minority interest units in the operating partnership	25,543,524	21,602,841	6,485,927
Minority partner interest in Southdale Medical Center	3,287,655	0	0
Interest reinvested directly in investment certificates	360,181	363,935	408,097
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest paid on mortgages	\$ 23,763,584	\$ 15,670,488	\$ 10,998,722
Interest paid on investment certificates	745,391	544,977	895,214
	\$ 24,508,975	\$ 16,215,465	\$ 11,893,936

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 • NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - Investors Real Estate Trust qualifies under Section 856 of the Internal Revenue Code as a real estate investment trust. The Trust has properties located primarily throughout the Upper Midwest, with principal offices located in Minot, North Dakota. The Company invests in commercial and residential real estate, real estate contracts, real estate related governmental backed securities (GNMA), and equity securities in other real estate investment trusts. Rental revenue from residential properties represents the major source of revenues for the Trust.

Effective February 1, 1997, the Trust reorganized its structure in order to convert to Umbrella Partnership Real Estate Investment Trust (UPREIT) status. The Trust established an operating partnership (IRET Properties, a North Dakota Limited Partnership) with a wholly owned corporate subsidiary acting as its sole general partner (IRET, Inc., a North Dakota Corporation). At that date, the Trust

transferred substantially all of its assets and liabilities to the operating partnership in exchange for general partnership units.

The general partner has full and exclusive management responsibility for the real estate investment portfolio owned by the operating partnership. The partnership is operated in a manner that allows IRET to continue its qualification as a real estate investment trust under the Internal Revenue Code.

All limited partners of the operating partnership have "exchange rights" allowing them, at their option, to exchange their limited partnership units for shares of the Trust on a one for one basis. The exchange rights are subject to certain restrictions including no exchanges for at least one year following the acquisition of the limited partnership units. The operating partnership distributes cash on a quarterly basis in the amounts determined by the Trust, which results in each limited partner receiving a distribution equivalent to the dividend received by a Trust shareholder.

Effective July 1, 2000, the Trust became self-administered as a result of the acquisition of its former advisory company,

Odell-Wentz & Associates, LLC. Virtually all officers and employees of Odell-Wentz & Associates, LLC were retained by the Trust. Please refer to Note 9 for information concerning the impact of this acquisition on the accompanying financial statements.

BASIS OF PRESENTATION - The consolidated financial statements include the accounts of Investors Real Estate Trust and all of its subsidiaries in which it maintains a controlling interest. The Trust is the sole shareholder of IRET, Inc., which is the general partner of the operating partnership, IRET Properties. The trust is also the sole shareholder of Miramont IRET Inc. and Pine Cone IRET Inc., both of which are invested in real estate.

The Trust is the sole shareholder of the following entities: Forest Park -IRET, Inc., Thomasbrook -IRET, Inc., Dakota -IRET, Inc., MedPark -IRET, Inc., Flying Cloud -IRET, Inc., Meadows 2 -IRET, Inc., and IRET -Ridge Oaks, LLC. These entities are the sole general partners and IRET Properties is the sole limited partner for the following limited partnerships, respectively: Forest Park Properties, a North Dakota Limited Partnership; Thomasbrook Properties, a Nebraska Limited Partnership; Dakota Hill Properties, a Texas Limited Partnership; MedPark Properties, a North Dakota Limited Partnership; and 7901 Properties L.P., a Minnesota Limited Partnership, Meadows 2 Properties, LP, a North Dakota Limited Partnership, and Ridge Oaks, LP an Iowa Limited Partnership. IRET Properties is also the sole owner of Health Investors Business Trust. These entities are all invested in real estate and are primarily formed and acquired for the beneficial ownership of certain properties that may be encumbered by mortgage indebtedness.

The consolidated financial statements also include the ownership of a controlling interest in Minnesota Medical Investors LLC, SMB Operating Company LLC, and SMB MM LLC, collectively known as Southdale Medical Center. These companies are accounted for under the consolidation method of accounting with minority interests reflecting the minority partners' share of ownership and income and expenses being recorded on a 30-day lag basis.

All material inter-company transactions and balances have been eliminated in the consolidated financial statements.

ACCOUNTING POLICIES

NEW ACCOUNTING PRONOUNCEMENTS - The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. The Trust's accounting policies comply with SAB 101 in all material respects.

Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Certain provisions of SFAS 133 were amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" an amendment of Statement 133." SFAS 133 has no impact as the Trust does not currently use derivatives.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROPERTY OWNED - Real estate is stated at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Interest, real estate taxes, and other development costs relating to the acquisition and development of certain qualifying properties are also capitalized. Expenditures for maintenance and repairs which do not add to the value or extend useful lives are charged to expense as incurred.

The Trust assesses whether there has been an impairment in the value of its real estate by comparing its carrying amount to the aggregate undiscounted future cash flows without interest charges. Such cash flows consider factors such as expected future operating income, trends and prospects as well as the effects of demand, competition and other economic factors. Such market factors include a lessee's ability to pay rent under the terms of the lease. If a property is leased at a significantly lower rent, the Trust may recognize a loss if the income stream is not sufficient to recover its investment. If impairment is determined to be present, the loss is measured as the amount by which the carrying value exceeds the property's fair value.

The fair value of the property is the amount which would be recoverable upon the disposition of the property. Techniques used to establish fair value include present value of estimated expected future cash flows using a discount rate commensurate with the risks involved, or appraised value.

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.

In the normal course of business the Trust will receive offers for sale of its properties, either solicited or unsolicited. For those offers that are accepted, the prospective buyer will usually acquire a due diligence period before consummation of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. As a result, real estate is not classified as "held for sale" until it is likely, in the opinion of management, that a property will be disposed of in the near term, even if sale negotiations for such property are currently under way. There were no properties considered "held for sale" at April 30, 2001 or 2000.

FURNITURE AND FIXTURES consists of office furniture, fixtures, and equipment located at the Trust's operational head quarters and are stated at cost net of accumulated depreciation. Accumulated depreciation was \$215,757 and \$0 at April 30, 2001 and 2000, respectively.

DEPRECIATION is provided to amortize the cost of individual assets over their estimated useful lives using principally the straight-line method. Useful lives range from 5 - 12 years for furniture and fixtures to 20 - 40 years for buildings and improvements.

MORTGAGE LOANS RECEIVABLE - are shown at cost. Interest income is accrued and reflected in the related balance.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - The Trust evaluates the need for an allowance for doubtful accounts periodically. In performing its evaluation, management assesses the recoverability of individual real estate mortgage loans and rent receivables by a comparison of their carrying amount with their estimated net realizable value.

MARKETABLE SECURITIES - The Trust's investments in securities are classified as securities "held-to-maturity" and securities "available-for-sale." The securities classified as "available-for-sale" consist of equity shares in other real estate investment trusts and are stated at fair value. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in shareholders' equity. Cost of securities sold are recognized on the basis of specific identification. The securities classified as "held-to-maturity" consist of Government National Mortgage Association securities for which the Trust has positive intent and ability to hold to maturity. They are reported at cost, adjusted by amortization of premiums and accretion of discounts which are recognized in interest income using the straight-line method over the period to maturity which approximates the effective interest method.

REAL ESTATE DEPOSITS consist of funds held by an escrow agent to be applied toward the purchase of real estate qualifying for gain deferral as a like-kind exchange of property under section 1031 of the Internal Revenue Code. It also consists of earnest money, or "good faith deposits," to be used by the Trust toward the purchase of property or the payment of loan costs associated with loan refinancing.

GOODWILL is amortized on a straight-line basis over a period of 15 years. The Trust periodically reviews goodwill for impairment and if a permanent decline in value has occurred, the Trust will reduce its goodwill balance to fair value. Accumulated amortization of goodwill was \$91,191 and \$0 at April 30, 2001 and 2000, respectively.

DEFERRED LEASING AND LOAN ACQUISITION COSTS - Costs and commissions incurred in obtaining tenant leases are amortized on the straight-line method over the terms of the related leases. Costs incurred in obtaining long-term financing are amortized over the life of the loan and charged to amortization expense over the terms of the related debt agreements.

MINORITY INTEREST - Interests in the operating partnership held by limited partners are represented by operating partnership units. The operating partnerships' income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to minority interests in accordance with the terms of the operating partnership agreement.

The Trust reflects minority interests in the Southdale Medical Center on the balance sheet for the portion of properties consolidated by the Trust that are not wholly owned by the Trust. The earnings or losses from these properties attributable to the minority interests are reflected as limited partner minority interests in the consolidated statements of operations.

NET INCOME PER SHARE - Effective May 1, 1998, the Trust adopted Statement of Financial Accounting Standard No. 128, Earnings Per Share. Basic net income per share is computed using the weighted average number of shares outstanding. There is potential for dilution of net income per share due to the conversion option of operating partnership units. However, basic and diluted net income per share are the same. The computation of basic and diluted net income per share can be found in Note 12.

INCOME TAXES - The Trust intends to continue to qualify as a real estate investment trust as defined by the Internal Revenue Code and, as such, will not be taxed on the portion of the income that is distributed to the shareholders, provided at least 90% of its real estate investment trust taxable income is distributed and other requirements are met. The Trust intends to distribute all of its taxable income and realized capital gains from property dispositions within the prescribed time limits and, accordingly, there is no provision or liability for income taxes shown on the financial statements.

UPREIT status allows non-recognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for a partnership interest. The UPREIT concept was born when the non-recognition provisions of Section 721 of the Internal Revenue Code were combined with "Exchange Rights" which allow the contributing partner to exchange the limited partnership interest received in exchange for the appreciated real estate for the Trust stock. Upon conversion of the partnership units to Trust shares, a taxable event occurs for that limited partner. Income or loss of the operating partnership shall be allocated among its partners in compliance with the provisions of the Internal Revenue Code Section 701(b) and 704(c).

REVENUE RECOGNITION - Residential rental properties are leased under operating leases with terms generally of one year or less. Commercial properties are leased under operating leases to tenants for various terms exceeding one year. Lease terms often include renewal options. Rental revenue is recognized on the straight-line basis, which averages minimum required rents over the terms of the leases. Rents recognized in advance of collection is reflected as rent receivable, net of allowance for doubtful accounts of \$120,314 and \$0 as of April 30, 2001 and 2000, respectively.

A number of the commercial leases provide for a base rent plus a percentage rent based on gross sales in excess of a stipulated amount. These percentage rents are recorded once the required sales level is achieved and are included in rental income at that time. These leases also typically provide for tenant reimbursement of common area maintenance and other operating expenses.

Profit on sales of real estate shall be recognized in full when real estate is sold, provided the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will be collectible can be estimated and the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale to earn the profit. Any gain or loss on the sale of disposition is recognized in accordance with accounting principles generally accepted in the United States of America.

Interest on mortgage loans receivable is recognized in income as it accrues during the period the loan is outstanding. In the case of non-performing loans, income is recognized as discussed in Note 4.

RECLASSIFICATIONS - Certain previously reported amounts have been reclassified to conform with the current financial statement presentation.

THE DIVIDEND REINVESTMENT PLAN is available to all shareholders of the Trust. Under the Dividend Reinvestment Plan, shareholders may elect for their dividends to be used by the plan administrator to acquire additional shares on the NASDAQ Small Cap Market or, if not available, directly from the Trust. Amounts are deposited with the plan administrator in advance of the dividend date to acquire shares for dividend reinvestment.

NOTE 2 • OFF-BALANCE-SHEET RISK

The Trust had deposits at First Western Bank, Bremer Bank, and First International Bank which exceeded Federal Deposit Insurance Corporation limits by \$3,844,663, \$785,073 and \$561,155, respectively, at April 30, 2001.

NOTE 3 • PROPERTY OWNED UNDER LEASE

Property consisting principally of real estate owned under lease is stated at cost less accumulated depreciation and is summarized as follows:

Years Ending April 30,	2001	2000
Residential	\$ 361,577,622	\$ 329,205,116
Less accumulated depreciation	(32,296,179)	(25,029,645)
	\$ 329,281,443	\$ 304,175,471
Commercial	\$ 230,058,846	\$ 120,714,774
Less accumulated depreciation	(11,796,966)	(8,203,307)
	\$ 218,261,880	\$ 112,511,467
Remaining Cost	\$ 547,543,323	\$ 416,686,938

There were no repossessions during the years ended April 30, 2001 and 2000.

The above cost of residential real estate owned included construction in progress of \$6,307,018 and \$6,190,287 as of April 30, 2001 and 2000, respectively. As of April 30, 2001, the trust expects to fund approximately \$3,500,000 during the upcoming year to complete these construction projects. The Trust also has outstanding offers to purchase selected properties as part of their normal operations. As of April 30, 2001, significant signed purchase commitments are estimated at \$23,400,000 for the upcoming year.

Construction period interest of \$316,644, \$404,089 and \$211,882 has been capitalized for the years ended April 30, 2001, 2000 and 1999, respectively.

Residential apartment units are rented to individual tenants with lease terms up to one year. Gross revenues from residential rentals totaled \$55,806,712, \$42,379,855 and \$33,010,126 for the years ended April 20, 2001, 2000 and 1999, respectively.

Gross revenues from commercial property rentals totaled \$18,994,010, \$11,878,026 and \$5,775,161 for the years ended April 30, 2001, 2000 and 1999, respectively. Commercial properties are leased to tenants under terms of leases expiring at various dates through 2024. Lease terms often include renewal options. In addition, a number of the commercial leases provide for a base rent plus a percentage rent based on gross sales in excess of a stipulated amount. Rents based on a percentage of sales totaled \$124,092, \$102,659 and \$101,032 for the years ended April 30, 2001, 2000 and 1999, respectively.

The future minimum lease payments to be received under these operating leases for the commercial properties as of April 30, 2000, are as follows:

Year Ending April 30,	
2002	\$ 20,379,372
2003	19,239,427
2004	18,626,368
2005	17,681,872
2006	16,268,305
Thereafter	126,659,158
	\$ 218,854,502

Loss on impairment of two commercial properties totaled \$1,319,316 for the year ended April 30, 2000. Impairment losses were determined based on present value of estimated expected future cash flows from each property. The carrying value of First Avenue Building, located in Minot, North Dakota, was reduced by \$311,202. The carrying value of a commercial building located in Boise, Idaho was reduced by \$1,008,114. There were no losses on impairment of properties for the years ended April 30, 2001 and 1999.

NOTE 4 • MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consists of seven contracts which are collateralized by real estate. Contract terms call for monthly payments of principals and interest. Interest rates range from 7% to 11%. Mortgage loans receivable have been evaluated for possible losses considering repayment history, market value of underlying collateral, and economic conditions.

Future principal payments due under the mortgage loans contracts as of April 30, 2001, are as follows:

Year Ending April 30,	
2002	\$ 765,530
2003	98,252
2004	43,313
2005	0
2006	0
Later Years	130,000
	\$ 1,037,095

There were no significant non-performing mortgage loans receivable as of April 30, 2001 and 2000. Non-performing loans are recognized as impaired in conformity with FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan. The average balance of impaired loans for the years ended April 30, 2001 and 2000 was not significant. For impairment recognized in conformity with FASB Statement No. 114, the entire change in present value of expected cash flows is reported as bad debt expense in the same manner in which impairment initially was recognized or as a reduction in the amount of bad debt expense that otherwise would be reported. Additional interest income that would have been earned on loans if they had not been non-performing was not significant in 2001, 2000, or 1999. There was no interest income on non-performing loans recognized on a cash basis for 2001, 2000, and 1999.

NOTE 5 • MARKETABLE SECURITIES

The amortized cost and estimated market values of marketable securities held-to-maturity at April 30, 2001 and 2000 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2001				
ISSUER GNMA	\$ 2,351,248	\$ 80,159	\$ 77,389	\$ 2,354,018
2000				
ISSUER GNMA	\$ 2,601,420	\$ 34,608	\$ 159,785	\$ 2,476,243

The amortized costs and estimated market values of marketable securities available-for-sale at April 30, 2001 and 2000 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2001				
Equity shares in other REITs	\$ 791,316	\$ 97,209	\$ 227,660	\$ 660,865
2000				
Equity shares in other REITs	\$ 791,316	\$ 65,338	\$ 283,843	\$ 572,811

There were no realized gains or losses on sales of securities for the years ended April 30, 2001, 2000 and 1999.

Marketable securities held-to-maturity consists of Governmental National Mortgage Association (GNMA) securities bearing interest from 6.5% to 9.5% with maturity dates ranging from May 15, 2016, to September 15, 2023. The following is a summary of the maturities of securities held-to-maturity at April 30, 2001 and 2000:

	2001		2000	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Due After 10 years	\$2,351,248	\$2,354,018	\$2,601,420	\$2,476,243

NOTE 6 • NOTES PAYABLE

As of April 30, 2001, the trust had lines of credit available from three financial institutions. An unsecured line of credit was issued by First Western Bank & Trust in the amount of \$4,000,000 carrying an interest rate equal to prime and maturing August 15, 2002, the weighted average interest rate for year ended April 30, 2001 was 9.46%.

A second unsecured line of credit from First International Bank & Trust was issued in the amount of \$3,500,000 carrying an interest rate equal to prime and maturing October 15, 2002, the weighted average interest rate for year ended April 30, 2001 was 8.15%. A third unsecured line of credit from Bremer Bank was issued in the amount of \$10,000,000 carrying an interest rate equal to Bremer Financial Corp.'s reference rate and maturing August 1, 2002, the weighted average interest rate for year ended April 30, 2001 was 8.99%. Interest payments are due monthly on all three notes. As of April 30, 2001, the Trust had no unpaid balances on any of their lines of credit. As of April 30, 2000, the trust had an unpaid balance of \$6,452,420 on the line of credit at Bremer Bank.

NOTE 7 • MORTGAGES PAYABLE

Mortgages payable as of April 30, 2001, included mortgages on properties owned totaling \$368,956,930. The carrying value of the related real estate owned was \$577,045,712.

Mortgages payable as of April 30, 2000, included mortgages on properties owned totaling \$265,054,767. The carrying value of the related real estate owned was \$410,776,553.

Monthly installments are due on the mortgages with interest rates ranging from 6.47% to 9.75% and with varying maturity dates through November 30, 2036.

Of the mortgages payable, the balances of fixed rate mortgages totaled \$337,364,781 and \$232,919,354, and the balances of variable rate mortgages totaled \$31,592,149 and \$32,137,413 as of April 30, 2001 and 2000, respectively.

The aggregate amount of required future principal payments on mortgages payable is as follows:

Year Ending April 30,	
2002	\$ 14,474,108
2003	8,298,146
2004	8,940,912
2005	9,746,970
2006	13,133,365
Later years	314,363,429
Total payments	\$ 368,956,930

NOTE 8 • INVESTMENT CERTIFICATES ISSUED

The Trust has placed investment certificates with the public. The interest rates vary from 6% to 9% per annum, depending on the term of the security. Total securities maturing within fiscal years ending April 30, are shown below. Interest is paid annually, semiannually, or quarterly on the anniversary date of the security.

Year Ending April 30,	
2002	\$ 5,820,502
2003	1,326,062
2004	1,932,291
2005	669,657
2006	2,116,601
Thereafter	11,304
	\$ 11,876,417

NOTE 9 • TRANSACTIONS WITH RELATED PARTIES

Through June 30, 2000, the advisor to the Trust was Odell-Wentz & Associates, LLC. Roger R. Odell and Thomas A. Wentz, Sr. were the owners of Odell-Wentz & Associates LLC and also officers and shareholders of the Trust. Under the advisory contract between the Trust and Odell-Wentz & Associates, LLC, the Trust paid an advisor's fee based on the net assets of the Trust and a percentage fee for investigating and negotiating the acquisition of new investments. For the year ended April 30, 2001, Odell-Wentz & Associates, LLC received total fees under said agreement of \$265,573. The fees for April 30, 2000, were \$1,400,973 and for April 30, 1999, were \$951,234.

For the years ended April 30, 2001, 2000 and 1999, the Trust has capitalized \$58,250, \$316,458, and \$195,019 respectively, of these fees, with the remainder of 207,323, \$1,084,515, and \$756,215, respectively, expensed as advisory fees on the statement of operations. The advisor was obligated to provide office space, staff, office equipment, computer services and other services necessary to conduct the business affairs of the Trust.

On July 1, 2000, IRET Properties acquired assets from Odell-Wentz & Associates, LLC in exchange for operating partnership units at a total purchase price of \$2,083,350. This acquisition included real estate, furniture, fixtures, equipment and other assets of approximately \$675,000, goodwill of approximately \$1,645,000, and the assumption of mortgages and other liabilities of approximately \$236,000. Except for Roger R. Odell who retired, all officers and employees of Odell-Wentz & Associates, LLC were retained by IRET Properties.

As part of the acquisition of Odell-Wentz & Associates, LLC, IRET Properties acquired a note receivable due from Timothy P. Mihalick of approximately \$100,000. Timothy P. Mihalick was an officer of Odell-Wentz & Associates, LLC and is currently an officer of the Trust.

Investors Management and Marketing (IMM) provides property management services to the Trust. Roger R. Odell is a shareholder in IMM. IMM received \$114,421 for services rendered from May 1, 2000 through June 30, 2000, IMM received \$649,729, and \$609,783 for services rendered for years ended April 30, 2000, and 1999, respectively.

Inland National Securities is a corporation that provides underwriting services in the sale of additional shares for the Trust. Roger R. Odell is also a shareholder in Inland National Securities. Fees for services from May 1, 2000 through June 30, 2000 were \$6,861. Fees for services totaled \$100,081, and \$157,392, for the years ended April 30, 2000 and 1999, respectively.

The Trust paid fees and expense reimbursements to the law firm in which Thomas A. Wentz, Jr. was, until December 31, 1999, a partner totaling \$89,497 and \$33,022 for the years ended April 30, 2000, and 1999, respectively. Thomas A. Wentz, Jr. is a trustee of the Trust.

Investment certificates issued by the Trust to officers and trustees totaled \$80,000, \$200,000, and \$2,138,758 at April 30, 2001, 2000 and 1999, respectively.

Management believes that all activity with related parties were transacted at amounts consistent with current fair market prices.

NOTE 10 • MARKET PRICE RANGE OF SHARES

For the year ended April 30, 2001, a total of 3,668,819 shares were traded in 4,692 separate trades. The high trade price during the period was 8.980, low was 7.375, and the closing price on April 30, 2001 was 8.770. For the year ended April 30, 2000, a total of 4,058,018 shares were traded in 3,414 separate trades. The high trade price during the period was 17.875, low was 7.681, and the closing price on April 30, 2000 was 7.875. For the year ended April 30, 1999, a total of 1,862,187 shares were traded in 1,017 separate trades. The high trade price during the period was 14.00, low was 6.50, and the closing price on April 30, 1999 was 7.50.

NOTE 11 • OPERATING SEGMENTS

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated by the chief decision makers in deciding how to allocate resources and in assessing performance. Operating segments of the Trust are determined to be commercial and residential rental operations. All properties falling into these categories have similar economic characteristics, as well as similar production processes, type of customers, distribution methods, and regulatory environments. Although information is available on a property-by-property basis, including rental income and operating expenses, analysis and decisions are primarily made based on residential and commercial segments. Generally, segmental information follows the same accounting policies utilized for consolidated reporting, except, certain expenses, such as depreciation, are not allocated to segments for management purposes.

The following information summarizes the Trust's segment reporting for residential and commercial properties along with reconciliations to the consolidated financial statements:

YEAR ENDING APRIL 30, 2001

	COMMERCIAL	RESIDENTIAL	TOTAL
Segment Revenue			
Rental revenue	\$ 18,994,010	\$ 55,806,712	\$ 74,800,722
Segment Expenses			
Mortgage interest	8,043,382	16,398,046	24,441,428
Utilities and maintenance	1,012,658	10,533,905	11,546,563
Taxes	1,083,759	6,461,423	7,545,182
Insurance	161,941	670,022	831,963
Property management	347,748	5,436,675	5,784,423
Total Segment Expenses	\$ 10,649,488	\$ 39,500,071	\$ 50,149,559
Segment Gross Profit	\$ 8,344,522	\$ 16,306,641	\$ 24,651,163
Reconciliation to consolidated operations:			
Interest discounts and fee revenue			966,428
Other interest expense			(789,973)
Depreciation			(12,299,532)
Advisory and trust fees			(1,480,696)
Operating expenses			(431,390)
Amortization			(428,188)
Consolidated income before gain/loss on properties and minority interest	\$		\$ 10,187,812

APRIL 30, 2001

Segment Assets			
Property owned	\$ 230,058,846	\$ 361,577,622	\$ 591,636,468
Less accumulated depreciation	(11,796,966)	(32,296,179)	(44,093,145)
Total consolidated property owned	\$ 218,216,880	\$ 329,281,443	\$ 547,543,323

YEAR ENDING APRIL 30, 2000

	COMMERCIAL	RESIDENTIAL	TOTAL
Segment Revenue			
Rental revenue	\$ 11,878,026	\$ 42,379,855	\$ 54,257,881
Segment Expenses			
Mortgage interest	3,980,450	12,312,038	16,292,488
Utilities and maintenance	452,229	7,592,301	8,044,530
Taxes	481,191	4,801,170	5,282,361
Insurance	52,288	424,674	476,962
Property management	132,435	4,157,840	4,290,275
Loss on impairment of properties	1,319,316	0	1,319,316
Total Segment Expenses	\$ 6,417,909	\$ 29,288,023	\$ 35,705,932
Segment Gross Profit	\$ 5,460,117	\$ 13,091,832	\$ 18,551,949
Reconciliation to consolidated operations:			
Interest discounts and fee revenue			1,187,312
Other interest expense			(721,682)
Depreciation			(8,460,112)
Advisory and trust fees			(1,159,120)
Operating expenses			(633,692)
Amortization			(216,097)
Consolidated income before gain/loss on properties and minority interest			\$ 8,548,558

APRIL 30, 2000

Segment Assets			
Property owned	\$ 120,714,774	\$ 329,205,116	\$ 449,919,890
Less accumulated depreciation	(8,203,307)	(25,029,645)	(33,232,952)
Total consolidated property owned	\$ 112,511,467	\$ 304,175,471	\$ 416,686,938

YEAR ENDING APRIL 30, 1999

	COMMERCIAL	RESIDENTIAL	TOTAL
Segment Revenue			
Rental revenue	\$ 5,775,161	\$ 33,010,126	\$ 38,785,287
Segment Expenses			
Mortgage interest	2,417,316	8,782,600	11,199,916
Utilities and maintenance	113,374	6,243,109	6,356,483
Taxes	192,930	3,832,629	4,025,559
Insurance	30,067	354,136	384,203
Property management	60,612	3,227,655	3,288,267
Total Segment Expenses	\$ 2,814,299	\$ 22,440,129	\$ 25,254,428
Segment Gross Profit	\$ 2,960,862	\$ 10,569,997	\$ 13,530,859
Reconciliation to consolidated operations:			
Interest discounts and fee revenue			1,141,975
Other interest expense			(902,065)
Depreciation			(5,966,874)
Advisory and trust fees			(927,063)
Operating expenses			(320,479)
Amortization			(154,677)
Consolidated income before gain/loss on properties and minority interest			\$ 6,401,676

APRIL 30, 1999

Segment Assets			
Property owned	\$ 67,250,863	\$ 228,574,976	\$ 295,825,839
Less accumulated depreciation	(7,109,615)	(19,002,784)	(26,112,399)
Total consolidated property owned	\$ 60,141,248	\$ 209,572,192	\$ 269,713,440

NOTE 12 • EARNINGS PER SHARE

Basic earnings per share are computed by dividing the earnings available to stockholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if potential dilutive securities had been converted to shares. Operating partnership units can be exchanged for shares on a one for one basis. The following tables reconciles amounts reported in the consolidated financial statements for the years ended April 30, 2001, 2000, and 1999:

	2001	2000	1999
NUMERATOR			
Net income applicable to shares	\$ 8,694,240	\$ 8,807,845	\$ 7,604,135
Numerator for basic earnings			
per share	8,694,240	8,807,845	7,604,135
Minority interest portion of operating partnership income	2,095,177	1,495,209	744,725
Numerator for diluted earnings per share	\$ 10,789,417	\$ 10,303,054	\$ 8,348,860
DENOMINATOR			
Denominator for basic earnings per share			
Weighted average shares	23,071,500	20,899,848	17,441,976
Effect of dilutive securities			
Convertible operating partnership units	5,506,200	3,577,136	1,662,489
Denominator for diluted earnings per share	28,577,700	24,476,984	19,104,465
Basic earnings per share	\$ 0.38	\$ 0.42	\$ 0.44
Diluted earnings per share	\$ 0.38	\$ 0.42	\$ 0.44

NOTE 13 • RETIREMENT PLAN

As part of the acquisition on July 1, 2000 of Odell-Wentz & Associates, LLC, the Trust assumed a defined contribution profit sharing retirement plan and a defined contribution 401K retirement plan. Employees over the age of 21 and after completion of one year of service are eligible to participate in the profit sharing plan. Contributions to the profit sharing plan are at the discretion of the management. All employees are immediately eligible to participate in the 401K plan and may contribute up to 15% of their compensation subject to maximum levels. The Trust matches up to 3% of participating employees' wages. Pension expense of the Trust for the year ended April 30, 2001 was \$45,301.

NOTE 14 • COMMITMENTS AND CONTINGENCIES

The Trust, as an owner of real estate, is subject to various environmental laws of Federal and local governments. Compliance by the Trust with existing laws has not had a material adverse effect on the Trust's financial condition and results of operations. However, the Trust cannot predict the impact of new or changed laws or regulations on its current properties or on properties that it may acquire in the future.

NOTE 15 • FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Mortgage loans receivable - Fair values are based on the discounted value of future cash flows expected to be received for a loan using current rates at which similar loans would be made to borrowers with similar credit risk and the same remaining maturities.

Cash - The carrying amount approximates fair value because of the short maturity of those instruments.

Marketable securities - The fair values of these instruments are estimated based on quoted market prices for these instruments.

Notes payable - The carrying amount approximates fair value because of the short maturity of those notes.

Mortgages payable - For variable rate loans that re-price frequently, fair values are based on carrying values. The fair value of fixed rate loans is estimated based on the discounted cash flows of the loans using current market rates.

Investment certificates issued - The fair value is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits with similar remaining maturities.

Accrued interest payable - The carrying amount approximates fair value because of the short-term nature of which interest will be paid.

The estimated fair values of the Company's financial instruments are as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Mortgage loan receivable	\$ 1,037,095	\$ 1,037,095	\$ 1,650,284	\$ 1,650,284
Cash	6,356,063	6,356,063	3,449,264	3,449,264
Marketable securities held-to-maturity	2,351,248	2,354,018	2,601,420	2,476,243
Marketable securities available-for-sale	660,865	660,865	572,811	572,811
FINANCIAL LIABILITIES				
Notes payable	\$ 0	\$ 0	\$ 6,452,420	\$ 6,452,420
Mortgages payable	368,956,930	356,434,028	265,057,767	250,897,221
Investment certificates issued	11,876,417	11,804,535	10,087,256	10,810,160
Accrued interest payable	2,369,454	2,369,454	1,679,000	1,679,000

The following financial information is unaudited. In the opinion of management, all adjustments (which are of a normal recurring nature) have been included for a fair presentation.

QUARTERLY RESULTS OF CONSOLIDATED OPERATIONS (unaudited)

QUARTER ENDED	7-31-00	10-31-00	01-31-01	04-30-01
Revenues	\$17,431,644	\$18,404,260	\$19,004,737	\$20,926,509
Income before gain on properties and minority interest	2,565,131	2,707,811	2,719,679	2,195,191
Net gain on sale of properties	0	0	25,124	576,481
Minority interest of unitholders in operating partnership	(425,667)	(538,618)	(426,316)	(704,576)
Net Income	2,139,464	2,169,193	2,327,262	2,058,321
Per share				
Income before gain/loss on properties and minority interest	.11	.12	.12	.09
Net Income	.09	.10	.10	.09
QUARTER ENDED	7-31-99	10-31-99	01-31-00	04-30-00
Revenues	\$11,201,913	\$12,900,697	\$14,054,660	\$17,287,923
Income before gain(loss) on properties and minority interest	1,801,322	2,478,912	2,390,868	3,196,772
Net gain(loss) on sale of properties	257,895	1,519,918	0	(23,317)
Loss on Impairment of Properties	0	0	0	(1,319,316)
Minority interest of unitholders in operating partnership	(235,935)	(579,625)	(369,028)	(310,621)
Net Income	1,823,282	3,419,205	2,021,840	1,543,518
Per share				
Income before gain/loss on properties and minority interest	.10	.12	.11	.14
Net Income	.09	.16	.11	.06
QUARTER ENDED	7-31-98	10-31-98	01-31-99	04-30-99
Revenues	\$ 9,102,179	\$ 9,836,370	\$10,236,797	\$10,151,916
Income before gain on properties and minority interest	1,327,851	1,760,067	1,732,928	1,580,830
Net gain on sale of properties	366,017	1,341,899	80,122	158,146
Minority interest of unitholders in operating partnership	(133,863)	(287,579)	(158,820)	(164,463)
Net Income	1,560,005	2,814,387	1,654,228	1,575,515
Per share				
Income before gain on properties and minority interest	.07	.09	.09	.08
Net Income	.09	.17	.09	.09

Shareholder Information

CORPORATE HEADQUARTERS

Investors Real Estate Trust
12 South Main Street, Suite 100
PO Box 1988
Minot, North Dakota 58702-1988
Telephone: (701) 837-4738
Fax: (701) 838-7785
email: info@iret.com
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GENERAL COUNSEL

Pringle & Herigstad, P.C.
2nd Floor, Bremer Bank Building
Minot, North Dakota 58701
Telephone: (701) 852-0381

AUDITORS

Brady Martz & Associates, P.C.
Certified Public Accountants
24 West Central
Minot, North Dakota 58701

Trustees

Jeffrey L. Miller
Chairman & Trustee
C. Morris Anderson
Vice Chairman & Trustee
Daniel L. Feist
Vice Chairman & Trustee
John F. Decker
Trustee
Patrick G. Jones
Trustee
Stephen L. Stenehjem
Trustee
Timothy P. Mihalick
Trustee
Thomas A. Wentz, Jr.
Trustee
Steven B. Hoyt
Trustee

Executive Officers

Thomas A. Wentz, Sr.
President & CEO
Timothy P. Mihalick
Senior Vice President & COO
Thomas A. Wentz, Jr.
Vice President & General Counsel
Diane K. Bryantt
Secretary & CFO

SEC FORM 10-K

Copies of Investors Real Estate Trust's Annual Report on Form 10-K filed with the Securities and Exchange Commission will be furnished without charge upon written request to Darla J. Strilcov at Investors Real Estate Trust.

ANNUAL MEETING

Investors Real Estate Trust will hold its 31st Annual Meeting of Shareholders in the Executive Room, International Inn, 1505 North Broadway, Minot, North Dakota, at 7:00 P.M. on Tuesday, September 25, 2001.

STOCK TRADING INFORMATION

Investors Real Estate Trust shares trade on the NASDAQ Small Cap Market under the symbol IRETS.

DIVIDEND REINVESTMENT PLAN

Investors Real Estate Trust offers to its shareholders the option to automatically reinvest their dividends through the Dividend Reinvestment Plan. For additional information, please contact Darla J. Strilcov, Shareholder Relations, at Investors Real Estate Trust.

COMMON SHAREHOLDERS OR RECORD/SHARES OUTSTANDING

As of July 20, 2001, Investors Real Estate Trust had approximately 5,614 shareholders of record and 24,261,256 shares outstanding.