




creating value for shareholders

OUR **32nd** YEAR

fiscal 2002 annual report

Report of the Trustees to the Meeting of Shareholders

September 24, 2002



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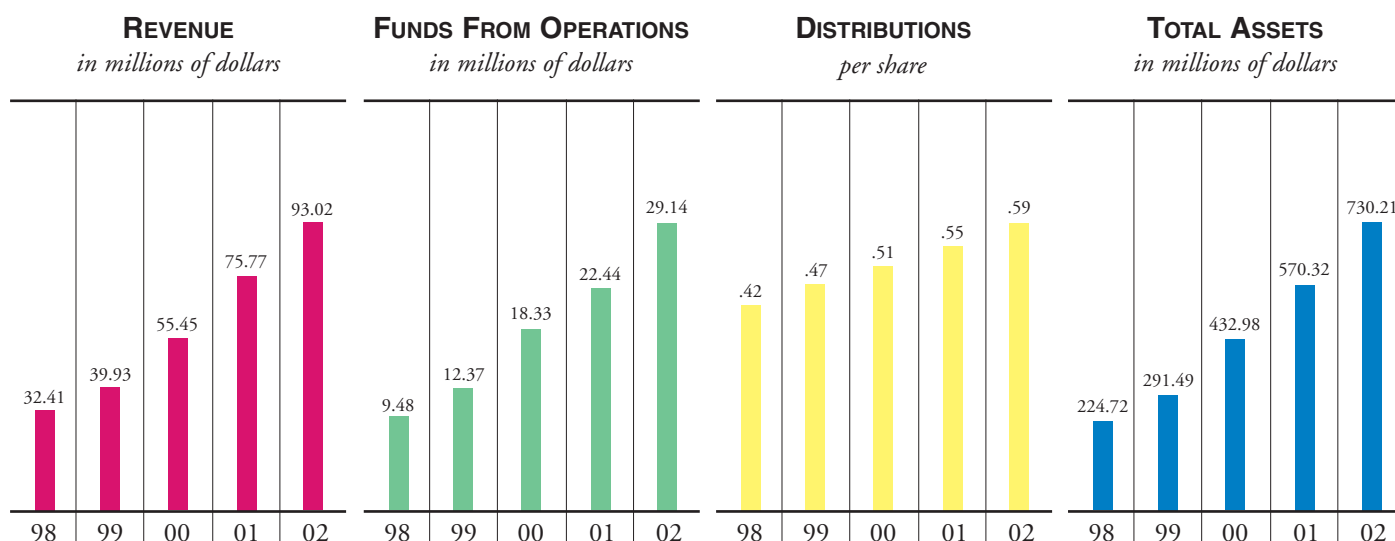
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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below for the fiscal years ended April 30, 2002, 2001 and 2000, has been derived from the our financial statements, which have been audited by Brady Martz & Associates, P.C., independent auditors, whose report thereon is included in this report. The consolidated financial data for the years ended April 31, 1999 and 1998 have been derived from audited financial statements not included in this report. These historical results are not necessarily indicative of the results to be expected in the future. The following table is qualified by reference to and should be read in conjunction with the consolidated financial statements, related notes thereto and other financial data included elsewhere in this report.

YEARS ENDED APRIL 30,	2002	2001	2000	1999	1998
Consolidated Income Statement					
Data Revenue	\$ 93,016,069	\$ 75,767,150	\$ 55,445,193	\$ 39,927,262	\$ 32,407,545
Income before Gain/Loss on					
Properties and Minority Interest	\$ 13,865,934	\$ 10,187,812	\$ 8,548,558	\$ 6,401,676	\$ 4,691,198
Gain on Repossession/Sale of Properties	546,927	601,605	1,754,496	1,947,184	465,499
Minority Interest of Portion of					
Operating Partnership Income	(3,812,732)	(2,095,177)	(1,495,209)	(744,725)	(141,788)
Net Income	\$ 10,600,129	\$ 8,694,240	\$ 8,807,845	\$ 7,604,135	\$ 5,014,909
Funds From Operations*	\$ 29,143,549	\$ 22,440,463	\$ 18,327,986	\$ 12,368,550	\$ 9,483,105
Consolidated Balance Sheet Data					
Total Real Estate Investments	\$ 685,346,681	\$ 548,580,418	\$ 418,216,516	\$ 280,311,442	\$ 213,211,369
Total Assets	\$ 730,209,018	\$ 570,322,124	\$ 432,978,299	\$ 291,493,311	\$ 224,718,514
Shareholders' Equity	\$ 145,578,131	\$ 118,945,160	\$ 109,920,591	\$ 85,783,294	\$ 68,152,626
PER SHARE					
Net Income	\$.42	\$.38	\$.42	\$.44	\$.32
Distributions	\$.59	\$.55	\$.51	\$.47	\$.42
Funds From Operations*	\$.86	\$.79	\$.75	\$.65	\$.60

* Industry analysts generally consider funds from operations to be an appropriate measure of the performance of an equity REIT. Funds from operations is defined as net 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 IRET except when accompanied by a prospectus.

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, 2002, IRET owned 66 apartment communities containing 8,296 apartment units and 67 commercial properties with 3,796,480 square feet of rentable space located in North Dakota and twelve other states.

IRET is structured as an Umbrella Partnership Real Estate Investment Trust (UPREIT) and conducts its business 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 real estate to the operating partnership in exchange for a limited partnership interest generally without the recognition of gain.

INVESTMENT STRATEGY

IRET's investment strategy is to own real estate primarily in Minnesota, North Dakota, South Dakota, Montana, and Nebraska and to diversify our investments among multi-family residential and a variety of commercial properties. 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 distribution equal to or better than a bank one-year certificate of deposit;
- Increase its distributions to shareholders at a rate in excess of the inflation rate;
- Increase the share price by a percentage equal to the distribution rate for a total return to the shareholder at least twice the return of a one-year certificate of deposit.

CASH DISTRIBUTION POLICY

It is our policy to distribute approximately 70% of our funds from operations (net income reduced by capital gain income and increased by real estate depreciation). We invest the remaining 30% of FFO to make capital improvements to existing properties and also to acquire more properties. By reinvesting 30% of FFO, we expect to enhance the income-producing capability of our portfolio.

EXECUTIVE OFFICERS

THOMAS A. WENTZ, SR.
PRESIDENT & CEO

THOMAS A. WENTZ, JR.
VICE PRESIDENT & GENERAL COUNSEL

TIMOTHY P. MIHALICK
SENIOR VICE PRESIDENT & COO

DIANE K. BRYANTT
SECRETARY & CHIEF FINANCIAL OFFICER



TO OUR FELLOW SHAREHOLDERS

April 30, 2002, marked the completion of IRET's 32nd year of operations and we are pleased to report financial results that were consistent with our past history and our goals for this year.

FINANCIAL RESULTS

For IRET's 32nd year which ended on April 30, 2002, revenues, net income, funds from operations and cash distributions to shareholders increased in line with our expectations.

- Revenues of the operating partnership for fiscal 2002 increased to \$93,016,069, compared to the year earlier figure of \$75,767,150, an increase of 22.8%.
- Net income, determined under generally accepted accounting principles, increased to \$10,600,129 from \$8,694,240 an increase of 21.9%. On a per share basis, net income rose to \$.42 from \$.38, an increase of 10.5%.
- Funds from operations (net income reduced by capital gain income and increased by real estate depreciation) for the operating partnership for fiscal 2002 were \$29,143,549, compared to \$22,440,463 in the prior year, an increase of 29.9%. On a per share basis, funds from operations (FFO) reached 86.27¢ per share compared to 78.52¢ per share in the prior year, an increase of 9.9%.
- Cash distributions to IRET shareholders and the holders of operating partnership units increased to 59.45¢ per share for fiscal 2002, compared to 55¢ paid in the prior fiscal year, an increase of 8%. The cash distribution paid on July 1, 2002, was again increased to 15.4¢ per share and unit compared to the 15.2¢ paid on April 1, 2002.



STRAIGHT-LINE RENTS

Beginning with fiscal year 2000, an accounting pronouncement requires us to record as revenue “straight-line rents” on commercial leases having periodic rent increases. Thus, we are required to record rent income that will not actually be collected until later years. The total “straight-line rents” included in the above revenue, net income, and FFO figures are \$1,311,105 for fiscal 2002 and \$1,214,379 for fiscal 2001.

PORTFOLIO EXPANSION

IRET's operating partnership invested \$143,280,342 during fiscal 2002 to complete construction of one apartment community and acquire four apartment communities containing 517 apartment units and 10 commercial buildings totaling 1,276,603 square feet of net rentable space. In addition, the operating partnership invested \$8,708,331 to make capital improvements to existing properties. Two apartment complexes consisting of 48 apartment units and three commercial properties totaling 13,574 square feet were disposed of during fiscal 2002. The operating partnership ended the year owning 66 apartment communities with 8,296 apartment units and 67 commercial properties totaling 3,796,480 rentable square feet.

PRESIDENT'S REPORT

CHANGE IN PORTFOLIO MIX - MORE COMMERCIAL, LESS APARTMENTS

IRET has historically sought to weight its real estate portfolio toward apartments and we expected that apartments would make up 65% to 75% of our holdings. However, during the last three years, we have chosen to direct more of our investment dollars to commercial properties because we thought that course offered the best value for our shareholders. For example, of the \$143,280,342 invested to acquire real estate properties during fiscal 2002, only \$23,950,924 (17%) went to acquire apartment communities. While we have actively sought to direct more of our equity capital to apartments, we have been unable to locate very many apartment properties that meet our investment criteria. We will continue to search diligently for apartment investments, but at the present time we find apartments to be priced at a higher level than we deem justified and will continue to choose the most attractive investment, regardless of the type.

INCREASE IN EQUITY CAPITAL

IRET successfully completed two public offerings of its shares of beneficial interest during fiscal 2002 and the first month of its current year. The proceeds from these public offerings of shares, together with proceeds received from the Distribution Reinvestment Plan resulted in shareholder equity increasing to \$145,578,131 at year-end, compared to the year earlier figure of \$118,945,160, an increase of \$26,632,971 (22.4%). In addition, the minority interest in the operating partnership increased to \$76,460,046, compared to the year earlier figure of \$59,003,194, an increase of \$17,456,852, for a total increase in equity capital available to the operating partnership of \$44,089,824.

32 YEARS OF INCREASED CASH DISTRIBUTIONS TO SHAREHOLDERS

IRET again increased the cash distribution paid on its shares of beneficial interest and operating partnership units during each quarter of fiscal year 2002. For the fiscal year, distributions increased to 59.45¢ per share, compared to 55¢ per share paid in the prior fiscal year, an increase of 8%. IRET made its first cash distribution to shareholders on June 30, 1971, and has paid a cash distribution during every quarter of its existence and has increased its annual distribution every year since that time. Since 1988, IRET has also increased its distribution every quarter. On July 1, 2002, the cash distribution was increased to 15.4¢ per share and unit and was the 125th consecutive quarterly cash distribution paid by IRET.

Mendota Northland Center • Mendota Heights, MN



INCREASED SHARE PRICE

The last trade of IRET shares on the NASDAQ National Market on April 30, 2002, was at a price of \$10.03 per share. The last trade on April 30, 2001, was at a price of \$8.77 resulting in an increase of 14.4% during the fiscal year. This was on top of a similar increase during fiscal year 2001 when the price increased to \$8.77 from the year earlier figure of 7.875¢ per share for an increase of 11.4%. These increases were substantially in excess of our goal of increasing our share price an average of 6% per year which, together with a cash distribution to shareholders of 6% per year, will produce a total annual return to our shareholders of 12% per annum. IRET has met this goal on average over its 32-year history.

While it is gratifying to see the sharp increase in our share price, we must realize that a very important reason for this increase has been the decrease in the attractiveness of competing investments. Because of the decline in interest income available on bank deposits and bonds and the disappointment experienced by many investors in common stocks, it is our opinion that there has been a willingness to pay a higher price to purchase IRET shares because of IRET's past performance.

In the near future, we do not expect a continuation of the recent double-digit percentage increases in the price of IRET shares. When interest rates paid on bank deposits and government and corporate bonds return to higher levels and common stocks regain their attractiveness to investors, some of the money that has flowed into real estate, including IRET shares, will be re-deployed into these competing investments.

We will do our best to continue to deliver to our shareholders the same consistent financial results they have enjoyed over the past 32 years.

IRET ON THE NASDAQ NATIONAL MARKET

As of April 9, 2002, IRET's application to have its shares of beneficial interest listed and traded on the National NASDAQ Market became effective.

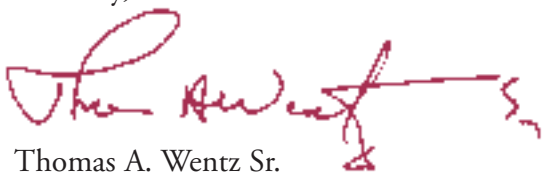
INCREASE IN INSURANCE COSTS

IRET's portfolio-wide general liability and property insurance policies expired on April 30, 2002, and were renewed at similar coverage levels. IRET's new policy excludes coverage for terrorist attacks. We estimate that our property and causality insurance premiums will be approximately \$500,000 higher than during the prior fiscal year (approximately 17% of the insurance premiums paid by IRET is billed back to commercial tenants). Of course, we are insuring approximately \$150,000,000 of additional properties so a portion of this premium increase is due to the additional properties added to our portfolio, but the remainder is a result of the insurance industry's implementation of premium increases due to the September 11, 2001, terrorist attacks and other stress on the insurance industry.

THE FUTURE

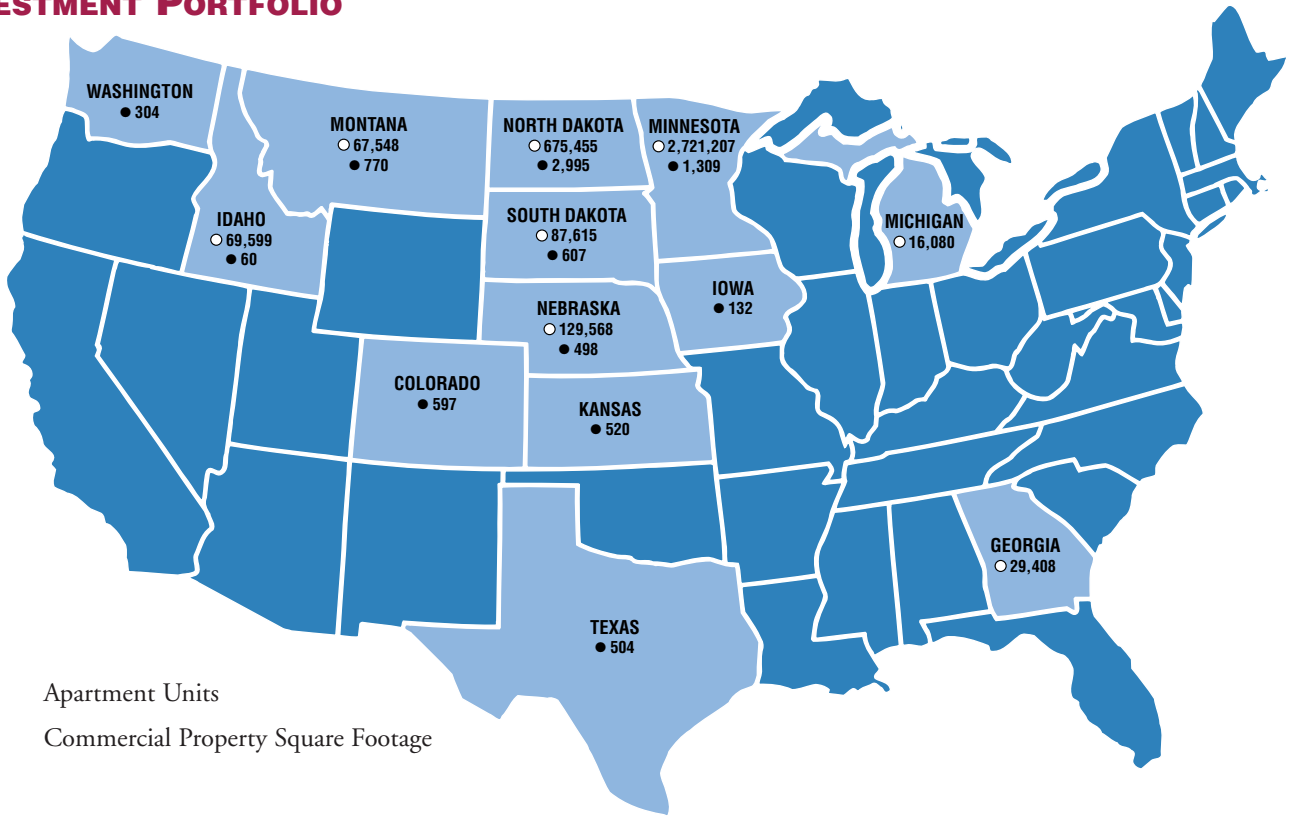
We will continue to devote our efforts to build and expand upon IRET's 32-year history of creating value for our shareholders. We have an attractive portfolio of real estate assets that we feel will continue to deliver consistent financial results. We have funds on hand to acquire additional real estate properties and will do so by using the same criteria to evaluate new investments that we have used throughout the past 32 years.

Sincerely,



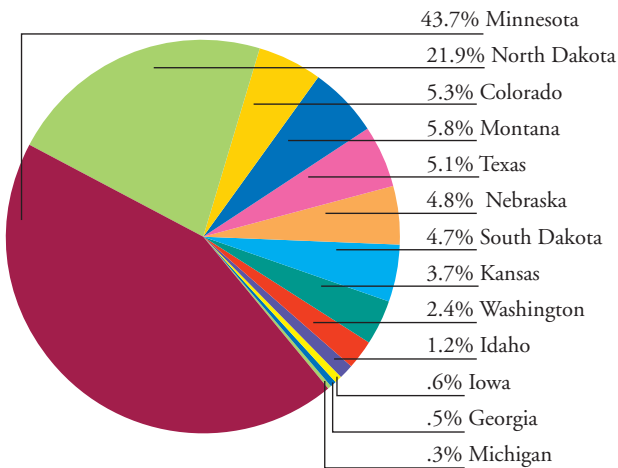
Thomas A. Wentz Sr.
President & CEO

INVESTMENT PORTFOLIO

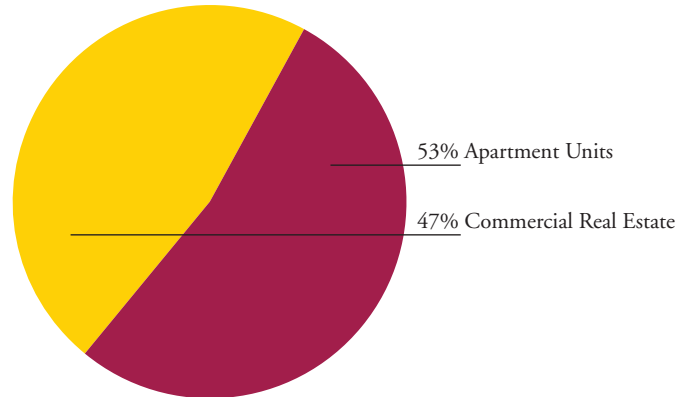


- Apartment Units
- Commercial Property Square Footage

PROPERTY INVESTMENTS *percentage by state*



REAL ESTATE PORTFOLIO MIX



PROPERTY MANAGEMENT

DONALD V. PETERSON
AVP, ASSET MANAGEMENT

ERIC M. SCHAEFFER
AVP, ASSET MANAGEMENT

SHEILA R. EVANOFF
PROPERTY MANAGEMENT ACCOUNTING

MICHAEL T. MUELLER
ASSISTANT FINANCIAL OFFICER

DANIEL J. LEIDHOLT
AVP, FINANCIAL REPORTING



APARTMENT COMMUNITIES BY IRET

STATE	LOCATION	UNITS	INVESTMENT	FISCAL 2002 OCCUPANCY
COLORADO				
MiraMont	Ft. Collins	210	\$ 14,458,518	94.90%
Neighborhood	Colorado Springs	192	11,556,236	94.35%
Pine Cone	Ft. Collins	195	13,322,465	92.14%
Colorado Total		597	\$ 39,337,219	93.17%
IDAHO				
Clearwater	Boise	60	\$ 3,873,512	90.75%
Idaho Total		60	\$ 3,873,512	90.75%
IOWA				
Ridge Oaks	Sioux City	132	\$ 4,595,627	92.70%
Iowa Total		132	\$ 4,595,627	92.70%
KANSAS				
Crown Colony	Topeka	220	\$ 10,881,547	93.31%
Sherwood	Topeka	300	16,268,055	93.64%
Kansas Total		520	\$ 27,149,602	93.50%
MINNESOTA				
Eastgate	Moorhead	116	\$ 2,521,483	95.99%
Heritage Manor	Rochester	182	7,897,920	93.51%
Lancaster Place	St. Cloud	84	3,260,739	92.74%
Park Meadows	St. Cloud	360	12,010,183	96.47%
Sunset Trail I	Rochester	73	7,772,834	87.24%
Sunset Trail II & III	Rochester	73	7,187,759	73.01%
West Stonehill	St. Cloud	313	11,970,748	98.47%
Woodridge	Rochester	108	6,849,155	97.56%
Minnesota Total		1,309	\$ 59,470,821	95.60%
MONTANA				
Castle Rock	Billings	165	\$ 5,828,773	92.38%
Country Meadows I	Billings	67	4,371,416	96.42%
Country Meadows II	Billings	67	4,364,972	93.65%
Olympic Village	Billings	274	11,983,207	96.34%
Pinehurst	Billings	21	751,310	n/a
Rimrock West	Billings	78	3,987,318	99.13%
Rocky Meadows	Billings	98	6,772,511	97.40%
Montana Total		770	\$ 38,059,507	95.57%
NEBRASKA				
Applewood on the Green	Omaha	234	\$ 10,810,426	n/a
Thomasbrook	Lincoln	264	10,155,696	95.91%
Nebraska Total		498	\$ 20,966,122	95.91%
NORTH DAKOTA				
408 South Main	Minot	--	\$ 46,907	--
Beulah Condominiums	Beulah	26	488,324	74.64%
Bison Properties	Carrington & Cooperstown	35	624,590	79.74%
Candlelight	Fargo	44	1,031,859	96.08%
Century	Dickinson	120	2,448,472	96.28%
Century	Williston	192	4,230,209	86.39%
Chateau	Minot	64	2,522,589	83.84%
Colton Heights	Minot	18	971,797	96.03%

n/a - non-stabilized property acquired in fiscal 2002.

INVESTMENT PORTFOLIO

APARTMENT COMMUNITIES BY IRET

STATE	LOCATION	UNITS	INVESTMENT	FISCAL 2002 OCCUPANCY	
NORTH DAKOTA - CONTINUED					
	Cottonwood Lake	Bismarck	201	\$ 13,851,674	92.37%
	Crestview	Bismarck	152	5,075,589	99.04%
	Dakota Arms	Minot	18	633,823	99.21%
	Eastwood	Dickinson	37	539,559	88.14%
	Forest Park Estates	Grand Forks	270	7,640,288	96.51%
	Jenner Properties	Grand Forks	107	2,266,932	95.40%
	Kirkwood Manor	Bismarck	108	3,790,492	94.24%
	Legacy I & II	Grand Forks	183	11,095,774	98.00%
	Legacy IV	Grand Forks	67	7,084,888	98.27%
	Lonetree Manor	Harvey	12	237,579	68.91%
	Magic City	Minot	220	5,040,460	96.86%
	North Pointe	Bismarck	49	2,449,895	98.96%
	Oak Manor	Dickinson	27	404,129	96.58%
	Park East	Fargo	122	5,196,596	99.19%
	Parkway Apartments	Beulah	36	181,421	82.48%
	Pebble Springs	Bismarck	16	796,799	99.08%
	Prairiewood Meadows	Fargo	85	2,896,253	95.37%
	South Pointe	Minot	195	10,381,859	95.03%
	Southview	Minot	24	733,498	95.18%
	Southwinds	Grand Forks	164	6,088,737	97.04%
	Sweetwater Properties	Devils Lake & Grafton	90	1,705,184	81.92%
	The Meadows I & II	Jamestown	54	3,759,313	98.11%
	The Meadows III	Jamestown	27	2,198,016	89.98%
	Valley Park Manor	Grand Forks	168	5,171,931	95.53%
	Westwood Park	Bismarck	64	2,253,752	99.79%
North Dakota Total			2,995	\$ 113,839,188	95.27%
SOUTH DAKOTA					
	Canyon Lake	Rapid City	109	\$ 4,280,120	n/a
	Pointe West	Rapid City	90	4,314,422	93.10%
	Oakmont	Sioux Falls	80	5,257,468	n/a
	Oxbow	Sioux Falls	120	5,063,044	95.39%
	Prairie Winds	Sioux Falls	48	2,027,036	93.96%
	Rosewood/Oakwood	Sioux Falls	160	5,794,377	93.32%
South Dakota Total			607	\$ 26,736,467	94.00%
TEXAS					
	Dakota Hill at Valley Ranch	Irving	504	\$ 37,814,473	91.30%
Texas Total			504	\$ 37,814,473	91.30%
WASHINGTON					
	Ivy Club	Vancouver	204	\$ 11,896,204	90.14%
	Van Mall Woods	Vancouver	100	6,191,712	96.81%
Washington Total			304	\$ 18,087,916	92.40%
TOTAL APARTMENT COMMUNITIES			8,296	\$ 389,930,454	94.40%

n/a - non-stabilized property acquired in fiscal 2002.

COMMERCIAL PROPERTIES BY IRET

STATE	LOCATION	SQUARE FOOTAGE	INVESTMENT	FISCAL 2002 OCCUPANCY	
GEORGIA					
	Wedgewood Retirement Center	Lithia Springs	29,408	\$ 3,971,878	100.00%
	Georgia Total		29,408	\$ 3,971,878	100.00%
IDAHO					
	America's Best Warehouse	Boise	69,599	\$ 4,788,294	0.00%
	Idaho Total		69,599	\$ 4,788,294	0.00%
MICHIGAN					
	Comp USA	Kentwood	16,080	\$ 2,121,474	100.00%
	Michigan Total		16,080	\$ 2,121,474	100.00%
MINNESOTA					
	2030 Cliff Road	Eagan	13,374	\$ 982,763	100.00%
	Bloomington Business Center	Bloomington	121,064	7,445,108	n/a
	Burnsville Bluffs	Burnsville	45,158	2,453,911	100.00%
	Cold Spring Center	St. Cloud	77,533	8,397,336	100.00%
	Cottage Grove Center	Cottage Grove	15,217	1,116,089	n/a
	Dewey Hill Business Center	Edina	73,338	4,869,054	100.00%
	East Grand Station	East Grand Forks	16,103	1,392,251	100.00%
	Edgewood Vista I & II	Duluth	74,984	7,183,519	100.00%
	Edgewood Vista I & II	East Grand Forks	16,392	1,430,136	100.00%
	Edgewood Vista	Virginia	70,313	6,958,383	n/a
	Flying Cloud Drive	Eden Prairie	62,585	5,160,600	93.97%
	HealthEast I & II	Maplewood & Woodbury	114,316	21,600,999	100.00%
	Hospitality Associates	Minnetonka	4,000	405,548	100.00%
	Interlachen Corporate Center	Edina	105,084	16,691,307	n/a
	Lexington Commerce	Eagan	89,840	5,486,349	76.66%
	Lindberg Building	Eden Prairie	41,880	1,608,535	100.00%
	Maplewood Square	Rochester	118,398	11,906,217	94.08%
	Mendota Center I	Mendota Heights	59,852	10,196,443	n/a
	Mendota Center II	Mendota Heights	88,398	8,014,563	n/a
	Mendota Center III	Mendota Heights	60,776	6,853,818	n/a
	Mendota Center IV	Mendota Heights	72,231	8,604,537	n/a
	Mendota Northland Center	Mendota Heights	146,808	17,610,899	n/a
	Morgan Chemical	New Brighton	49,620	2,428,810	n/a
	Nicollet VII	Burnsville	125,385	7,360,670	100.00%
	Northgate II	Maple Grove	25,999	2,357,893	100.00%
	Pillsbury Business Center	Bloomington	42,220	1,842,601	67.09%
	Pioneer Seed Company	Moorhead	13,600	653,876	0.00%
	Plymouth Tech IV & V	Plymouth	126,809	14,347,790	100.00%
	Southdale Medical Center	Edina	195,983	32,588,538	100.00%
	Southeast Tech Center	Eagan	58,300	6,115,854	100.00%
	Sterner Lighting	Winsted	38,000	1,000,789	100.00%
	Stone Container	Roseville	229,072	8,265,239	n/a
	Stone Container	Waconia	29,440	1,666,518	100.00%
	Thresher Square East	Minneapolis	57,891	6,560,775	n/a
	Thresher Square West	Minneapolis	54,945	4,559,183	n/a
	ViroMed	Eden Prairie	48,700	4,863,634	100.00%
	Wayroad	Minnetonka	62,383	5,394,985	n/a
	Wirth Corporate Center	Golden Valley	75,216	8,629,281	n/a
	Minnesota Total		2,721,207	\$ 265,004,801	97.44%

n/a - non-stabilized property acquired in fiscal 2002.

INVESTMENT PORTFOLIO

COMMERCIAL PROPERTIES BY IRET

PROPERTY	LOCATION	Sq. Ft.	INVESTMENT	FISCAL 2002 OCCUPANCY
MONTANA				
Creekside Office Park	Billings	34,603	\$ 2,045,789	100.00%
Edgewood Vista	Belgrade	5,100	453,494	100.00%
Edgewood Vista	Billings	11,800	980,218	100.00%
Edgewood Vista	Kalispell	5,895	588,113	100.00%
Edgewood Vista	Missoula	10,150	962,429	100.00%
Montana Total		67,548	\$ 5,030,043	100.00%
NEBRASKA				
Ameritrade Headquarters	Omaha	73,742	\$ 8,348,798	100.00%
Barnes & Noble	Omaha	27,500	3,699,197	100.00%
Edgewood Vista	Columbus	5,100	455,626	100.00%
Edgewood Vista	Fremont	6,042	552,172	100.00%
Edgewood Vista	Grand Island	5,100	455,626	100.00%
Edgewood Vista	Hastings	6,042	571,538	100.00%
Edgewood Vista	Omaha	6,042	641,252	100.00%
Nebraska Total		129,568	\$ 14,724,209	100.00%
NORTH DAKOTA				
1st Avenue Building	Minot	15,357	\$ 537,189	52.70%
12 South Main	Minot	10,126	411,487	93.50%
17 South Main	Minot	3,250	90,000	100.00%
401 South Main	Minot	8,597	617,282	83.04%
Arrowhead Shopping Center	Minot	76,424	3,005,419	95.94%
Barnes & Noble	Fargo	30,000	3,274,996	100.00%
Carmike Theatre	Grand Forks	28,528	2,545,737	100.00%
Edgewood Vista	Minot	97,821	6,270,707	100.00%
Great Plains Software	Fargo	122,040	15,375,154	100.00%
MedPark Mall	Grand Forks	59,177	5,696,588	100.00%
Minot Plaza	Minot	11,020	519,615	100.00%
Petco	Fargo	18,040	1,278,934	100.00%
Stone Container	Fargo	195,075	7,105,566	100.00%
North Dakota Total		675,455	\$ 46,728,674	98.32%
SOUTH DAKOTA				
Conseco	Rapid City	75,815	\$ 7,044,870	100.00%
Edgewood Vista	Sioux Falls	11,800	974,739	100.00%
South Dakota Total		87,615	\$ 8,019,609	100.00%
TOTAL COMMERCIAL PROPERTY		3,796,480	\$ 350,388,982	96.84%

n/a - non-stabilized property acquired in fiscal 2002.

MORTGAGE LOANS RECEIVABLE

MORTGAGES	04/30/02 BALANCE	RATE
Other Mortgages		
\$501,000 and higher	\$ 3,200,000	10%
\$100,000 to \$500,000	713,212	8-11%
\$50,000 to \$99,999	0	n/a
\$20,000 to \$49,999	39,550	8%
Less than \$20,000	0	n/a
Total	\$ 3,952,762	



Sunset Trail Apartment Unit • Rochester, MN

SUMMARY OF INVESTMENT PORTFOLIO

REAL ESTATE INVESTMENTS

Property owned	\$ 740,319,436
Less accumulated depreciation	(58,925,517)
	681,393,919
Mortgage loans receivable	3,952,762
Total real estate investments	\$ 685,346,681

OTHER ASSETS

Cash	\$ 12,333,426
Marketable securities - available-for-sale	10,500,000
Rent receivable	3,233,765
Prepaid and other assets	3,513,791
Notes receivable	3,500,000
Tax, insurance and other escrow	6,210,450
Real estate deposits	422,045
Furniture and fixtures	209,121
Goodwill	1,440,817
Deferred charges and leasing costs	3,498,922
Total Assets	\$ 730,209,018



ACCOUNTING

STACY A. HUMPHREYS
AVP, FINANCIAL REPORTING

NANCY C. SCOFIELD
AVP, FINANCIAL REPORTING

KIM A. OHLHAUSER
SHAREHOLDER RELATIONS

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

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 restructured 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 IRET and had furnished office space, employees, and equipment to conduct all of the day-to-day operations of IRET.



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 FROM OPERATIONS FOR THE FISCAL YEARS ENDED APRIL 30, 2002, 2001, AND 2000

IRET operates on a fiscal year ending on April 30. The following discussion and analysis is for the fiscal years ended April 2002, 2001, and 2000.

REVENUES

Total revenues of the operating partnership for fiscal 2002 were \$93,016,069, compared to \$75,767,150 in fiscal 2001 and \$55,445,193 in fiscal 2000. The increase in revenues received during fiscal 2002 in excess of the prior year revenues was \$17,248,919. This increase resulted from:

Rent from 28 properties acquired in fiscal 2002 in excess of that received in 2001	\$ 11,236,492
Rent from 14 properties acquired in fiscal 2002	4,737,866
Increase in rental income on existing properties	1,086,695
An increase in interest income	309,122
An increase in straight-line rents	96,726
An increase in ancillary income	1,917
A decrease in rent - properties sold	(219,899)
Total	\$ 17,248,919

The increase in revenues received during fiscal 2001 in excess of that received in fiscal 2000 was \$20,321,957. This increase resulted from:

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

As shown by the above analysis, the fiscal 2002 and 2001 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 2001 increased by \$11,236,492 in fiscal 2002 and \$12,888,919 in fiscal 2001. Thus, new properties generated most of the new revenues during the past two years.

STRAIGHT-LINE RENTS

Beginning with our fiscal year 2000, an accounting rule required us to record as revenue "straight-line rents" on our commercial property leases that contain future rental increases. This rule requires us to calculate the total rents that the tenant has contracted to pay us for the entire term of the lease and to divide that total by the number of months of the lease and to record as revenue each month the resulting average monthly rent. The result is that, in the beginning years of a lease, we must record as revenue an amount that exceeds the actual cash rent we have collected. In the later years of such leases, we, of course, will record as revenue an amount less than the actual cash then being received.

The amount of "straight-line rents" (that is, the amount that the recorded rent is greater than the actual cash rent we have collected) we have recorded in the past three years is:

	2002	2001	2000
Straight-line Rents	\$ 1,311,105	\$ 1,214,379	\$ 831,364

Our revenues, net income and funds from operations shown in this report are increased by the above described "straight-line rents."

CAPITAL GAIN INCOME

The operating partnership realized capital gain income for fiscal 2002 of \$546,927. This compares to \$601,605 of capital gain income recognized in fiscal 2001 and the \$1,754,496 recognized in fiscal 2000. 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 2002 increased to \$13,865,934 from \$10,187,812 earned in fiscal 2001 and \$8,548,558 earned in fiscal 2000. IRET's net income for generally accepted accounting purposes for fiscal 2002 was \$10,600,129, compared to \$8,694,240 in fiscal 2001 and \$8,807,845 in fiscal 2000. On a per share basis, net income was \$.42 per share in fiscal 2002 compared to \$.38 in fiscal 2001 and \$.42 in fiscal 2000.

MANAGEMENT'S DISCUSSION & ANALYSIS

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

For fiscal 2002, an increase in net income of \$1,905,889, resulting from:

An increase in net rental income <i>(rents, less utilities, maintenance, taxes, insurance and management)</i>	\$ 12,413,637
A increase in interest income	309,122
An increase in ancillary income	1,917
An increase in interest expense	(5,373,448)
An increase in depreciation expense	(3,215,636)
An increase in minority interest of operating partnership income	(1,518,991)
An increase in operating expenses, administrative, advisory & trustee services	(336,458)
An increase in minority interest of other partnership	(198,564)
An increase in amortization expense	(121,012)
A decrease in gain on sale of investments	(54,678)
Total	\$ 1,905,889

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

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





Mendota Heights Office Complex II • Mendota Heights, MN

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 tele-communication services over a 12-year period. Of this payment, \$110,979 was recognized as income by IRET during fiscal 2001 and \$65,959 in fiscal 2002. The balance of \$692,567 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.

COMPARISON OF RESULTS FROM COMMERCIAL AND RESIDENTIAL PROPERTIES

The following is an analysis of the contribution by each of the two categories of real estate owned by IRET - residential and commercial:

FISCAL YEARS ENDED 4/30	2002		2001		2000	
<i>Real Estate Investments (net of accumulated depreciation)</i>						
Commercial	\$ 333,092,927	49%	\$ 218,261,880	40%	\$ 112,511,467	27%
Residential	348,300,992	51%	329,281,443	60%	304,175,471	73%
Total	\$ 681,393,919	100%	\$ 547,543,323	100%	\$ 416,686,938	100%
<i>Gross Real Estate Rental Revenues</i>						
Commercial	\$ 32,685,652	37%	\$ 18,994,010	25%	\$ 11,878,026	22%
Residential	59,052,950	63%	55,806,712	75%	42,379,855	78%
Total	\$ 91,738,602	100%	\$ 74,800,722	100%	\$ 54,257,881	100%
<i>Expenses (before depreciation - see Note 11 to Financial Statement for detail)</i>						
Commercial	\$ 18,456,441	31%	\$ 10,649,488	21%	\$ 6,417,909	18%
Residential	40,939,389	69%	39,500,071	79%	29,288,023	82%
Total	\$ 59,395,830	100%	\$ 50,149,559	100%	\$ 35,705,932	100%
<i>Segment Gross Profit (before depreciation)</i>						
Commercial	\$ 14,229,211	44%	\$ 8,344,522	34%	\$ 5,460,117	29%
Residential	18,113,561	56%	16,306,641	66%	13,091,832	71%
Total	\$ 32,342,772	100%	\$ 24,651,163	100%	\$ 18,551,949	100%

MANAGEMENT'S DISCUSSION & ANALYSIS

COMMERCIAL PROPERTIES - ANALYSIS OF LEASE EXPIRATIONS AND CREDIT EXPOSURE

The following table shows the annual lease expiration percentages for the commercial properties owned by IRET as of April 30, 2002, for fiscal years 2003 through 2012 and the leases that will expire during fiscal year 2013 and beyond.

YEAR OF LEASE EXPIRATION	SQUARE FOOTAGE OF EXPIRING LEASES	PERCENTAGE OF TOTAL LEASED SQUARE FOOTAGE	ANNUALIZED BASE RENT OF EXPIRING LEASES AT EXPIRATION	PERCENTAGE OF TOTAL ANNUALIZED BASE RENT
2003	377,198	11.80%	\$ 1,317,369	4.55%
2004	215,934	6.76%	1,420,605	4.91%
2005	158,690	4.96%	1,390,429	4.80%
2006	265,262	8.30%	2,400,751	8.29%
2007	99,393	3.11%	1,132,872	3.91%
2008	244,985	7.66%	1,849,752	6.39%
2009	196,973	6.16%	2,511,946	8.68%
2010	171,752	5.37%	1,470,944	5.08%
2011	98,325	3.08%	1,056,612	3.65%
2012	371,182	11.61%	2,419,949	8.36%
2013 and beyond	996,481	31.19%	11,984,253	41.38%
Total	3,196,175	100.00%	\$ 28,955,481	100.00%

The following table shows the percentage of commercial leases by size of leased space in 10,000 square foot increments as of April 30, 2002:

SQUARE FEET UNDER LEASE	PERCENTAGE OF AGGREGATE PORTFOLIO LEASED SQUARE FEET	ANNUALIZED BASE RENT	PERCENTAGE OF AGGREGATE PORTFOLIO ANNUALIZED BASE RENT
10,000 or Less	16.16%	\$ 6,746,536	23.30%
10,001 - 20,000	13.76%	3,896,629	13.46%
20,001 - 30,000	11.82%	3,422,639	11.82%
30,001 - 40,000	7.50%	2,161,604	7.47%
40,001 - 50,000	5.79%	1,608,402	5.55%
50,001 +	44.97%	11,119,671	38.40%
Total	100.00%	\$ 28,955,481	100.00%

The following table shows the lessees of commercial property that account for five percent or more of the total scheduled rent on May 1, 2002, from all commercial properties owned by IRET:

LESSEE	MONTHLY RENT	% OF TOTAL
Step II, Inc. DBA Edgewood Vista	\$ 258,668	9%
HealthEast Medical	159,720	5%
Great Plains Software, a subsidiary of Microsoft, Inc.	156,250	5%
All Others	2,451,626	81%
Total Scheduled Rent on May 1, 2002	\$ 3,026,264	100%

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 2002 and 2001 for residential and commercial were:

SAME-STORE RESIDENTIAL	2002	2001	% CHANGE
Scheduled Rent	\$ 54,486,817	\$ 53,613,453	1.6%
Total Receipts	\$ 52,910,814	\$ 52,451,090	.9%
Utilities & Maintenance	9,464,313	10,450,515	-9.4%
Management YTD	5,357,847	5,309,518	.9%
Taxes & Insurance	6,862,813	6,113,675	12.3%
Mortgage Interest	14,441,214	14,170,529	1.9%
Total Expenses	\$ 36,126,187	\$ 36,044,237	.2%
Net Operating Income	\$ 16,784,627	\$ 16,406,853	2.3%
SAME-STORE COMMERCIAL			
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	4.7%
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%



SHAREHOLDER RELATIONS

LINDA D. FELDNER
SECRETARY/RECEPTIONIST

MICHAEL J. HALE
AVP, SECURITY SALES

DARLA J. STRILCOV
AVP, SHAREHOLDER RELATIONS

MANAGEMENT'S DISCUSSION & ANALYSIS

FUNDS FROM OPERATIONS

IRET considers funds from operations ("FFO") a useful measure of performance for an equity REIT. FFO herein 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 Trust's ("NAREIT") definition of FFO as amended by NAREIT to be effective January 1, 2000.

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.

FFO for the operating partnership increased to \$29,143,549 for fiscal 2002, compared to \$22,440,463 for fiscal 2001, and \$18,327,986 for fiscal 2000.

Calculations of funds from operations for the operating partnership are as follows:

ITEM	2002	2001	2000
Net Income available to IRET shareholders and unitholders from operations and capital gains	\$ 14,412,861	\$ 10,789,417	\$ 11,622,370
Less gain from property sales	(546,927)	(601,605)	(1,754,496)
Operating income	\$ 13,865,934	\$ 10,187,812	\$ 9,867,874
Less minority interest portion - other partnerships	(198,564)	0	0
Net operating income	\$ 13,667,370	\$ 10,187,812	\$ 9,867,874
plus real estate depreciation and amortization ⁽¹⁾	15,476,179	12,252,651	8,460,112
Funds from operations	\$ 29,143,549	\$ 22,440,463	\$ 18,327,986
Weighted average shares and units outstanding - basic and diluted ⁽²⁾	33,781,369	28,577,700	24,476,984
Cash distributions paid to shareholders/unitholders ⁽³⁾	\$ 20,272,212	\$ 15,732,399	\$ 12,492,067

(1) Depreciation on office equipment and other assets used by IRET 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) Cash distributions are paid equally on shares and units. It is our intent to distribute approximately 70% of FFO to our shareholders and unitholders.

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 IRET since its inception in 1970. IRET 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. The purchase price for the business and assets was \$2,083,350 allocated as follows:

Real Estate	\$	475,000
Furniture, Fixtures & Vehicles		193,350
Good Will		1,645,000
Less Real Estate Mortgages Assumed		(230,000)
	\$	2,083,350

IRET Properties issued 255,000 of its limited partnership units 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 \$143,280,342 of real estate investments to its portfolio during fiscal 2002, compared to \$143,042,292 added in fiscal 2001 and \$155,284,745 in fiscal 2000. The fiscal 2002 and 2001 additions are detailed below:

FISCAL 2002 PROPERTY ACQUISITIONS

COMMERCIAL	LOCATION	PROPERTY TYPE	NET RENTABLE SQUARE FEET	PURCHASE PRICE
Mendota Heights Office Complex	Mendota Heights, MN	Multi-tenant Office Bldg.	428,065	\$ 51,280,260
Interlachen	Edina, MN	Multi-tenant Office Bldg.	105,084	16,691,306
Thresher Square E & W	Minneapolis, MN	Multi-tenant Office Bldg.	113,736	11,119,958
Wirth Corporate Center	Golden Valley, MN	Commercial Office	75,216	8,629,281
Stone Container	Roseville, MN	Industrial Building	229,072	8,265,238
Bloomington Bus. Plaza	Bloomington, MN	Multi-tenant Office Bldg.	114,819	7,445,108
Edgewood Vista	Virginia, MN	Assisted Living Center	70,313	6,958,383
Wayroad	Minnetonka, MN	Commercial Office	62,383	5,394,985
Morgan Chemical	New Brighton, MN	Industrial Building	49,620	2,428,810
Cottage Grove Center	Cottage Grove, MN	Strip Mall	15,217	1,116,089
Total Commercial			1,263,525	\$ 119,329,418

RESIDENTIAL	LOCATION	PROPERTY TYPE	UNITS	PURCHASE PRICE
Applewood on the Green	Omaha, NE	Apartment Community	234	\$ 10,810,426
Oakmont Apartments	Sioux Falls, SD	Apartment Community	80	5,257,468
Canyon Lake Apartments	Rapid City, SD	Apartment Community	109	4,280,120
Pinehurst Apartments	Billings, MT	Apartment Community	21	751,310
Sunset Trail Phase II*	Rochester, MN	Apartment Community	73	2,851,600
Total Residential			517	\$ 23,950,924

TOTAL FISCAL 2002 PROPERTY ACQUISITIONS	\$ 143,280,342
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* Represents costs to complete a project started in year ending April 30, 2001.

MANAGEMENT'S DISCUSSION & ANALYSIS

FISCAL 2001 PROPERTY ACQUISITIONS

COMMERCIAL	LOCATION	PROPERTY TYPE	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 Bldg.	Rapid City, SD	Office	75,815	6,850,000
Dewey Hill Business Ctr.	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 (60.31% part int.)	Edina, MN	Medical Office	195,983	32,421,070
Total Commercial			1,047,321	\$ 110,199,692

RESIDENTIAL	LOCATION	PROPERTY TYPE	UNITS	PURCHASE PRICE
Cottonwood Phase III	Bismarck, ND***		67	\$ 1,854,800
Meadows, Phase III	Jamestown, ND***		27	1,865,182
Olympic Village	Billings, MT		274	11,616,500
Prairiewood Meadows	Fargo, ND		85	2,811,000
Ridge Oaks	Sioux City, IA		132	4,195,036
Sunset Trail, Phase I	Rochester, MN		73	6,493,150
Sunset Trail, Phase II	Rochester, MN**		n/a	4,006,932
Total Residential			658	\$ 32,842,600

TOTAL FISCAL 2001 PROPERTY ACQUISITIONS

\$143,042,292

** Property not placed in service at April 30, 2001. Additional costs are still to be incurred.

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



Sunset Trail Community Center • Rochester, MN

PROPERTY DISPOSITIONS

Real Estate assets sold by the operating partnership during fiscal 2002 and 2001 were as follows:

PROPERTY SOLD	SALES PRICE	BOOK VALUE & SALES COSTS	GAIN
2002			
Sunchase Apartments	\$ 1,100,000	\$ 803,591	\$ 296,409
Lester Chiropractic Clinic	317,500	232,221	85,279
Carmen Court - Magic City Apartments	295,000	291,654	3,346
Walter's Building	0	35,062	(35,062)
Corner Express	1,714,713	1,460,403	254,310
Total Fiscal 2002 Gain			\$ 604,282
2001			
Evergreen Shopping Center	\$ 1,450,000	\$ 1,448,310	\$ 1,689
Chalet Apartments	390,000	366,566	23,434
Hill Park aka Garden Grove	2,400,000	1,823,518	576,482
Total Fiscal 2001 Gain			\$ 601,605

CASH DISTRIBUTIONS

The following cash distributions were paid to IRET shareholders and IRET Properties limited partners during fiscal years 2002, 2001, and 2000:

DATE	2002	2001	2000
July 1,	\$.1450	\$.1325	\$.1240
October 1,	.1475	.1350	.1260
January 15,	.1500	.1400	.1280
April 1,	.1520	.1425	.1300
Total	\$.5945	\$.5500	\$.5080

The fiscal 2002 cash distributions increased 8.1% over the cash distributions paid during fiscal year 2001 and 17.0% over fiscal 2000.

MANAGEMENT'S DISCUSSION & ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Important equity capital and financing events in fiscal 2002 were:

- As a result of the sale of additional shares of beneficial interest, shareholder equity increased during fiscal 2002 by \$31,227,781 and, in addition, the equity capital of the operating partnership was increased by \$17,456,852 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 \$48,684,633.
- Cash and marketable securities on April 30, 2002, totaled \$22,833,426 compared to \$9,368,176 on the same date in 2001 and \$6,623,495 in 2000.
- Mortgage loan indebtedness increased due to the acquisition of new investment properties to \$459,568,905 on April 30, 2002, from \$368,956,930 on April 30, 2001, and \$265,056,767 on April 30, 2000. The weighted interest rate on these loans decreased to 7.41% per annum from 7.56% on April 30, 2001, and compared to 7.59% at the end of fiscal 2000.
- The issuance of investment certificates was discontinued in April of 2002 and the \$25,186,582 of certificates outstanding on April 30, 2002, will be redeemed upon maturity as follows:

<u>CERTIFICATES MATURING</u>	<u>FACE AMOUNT</u>
Fiscal 2003	\$ 16,484,256
Fiscal 2004	1,995,822
Fiscal 2005	2,221,533
Fiscal 2006	2,177,886
Fiscal 2007	2,307,085
Total	\$ 25,186,582

- New real estate investments of \$143,280,342 were made by the operating partnership in fiscal 2002, compared to \$143,042,292 in fiscal 2001 and \$155,284,745 in fiscal 2000.
- Net cash provided from operating activities increased to \$26,918,213 from \$22,328,745 due to the addition of new investments to our real estate portfolio.
- Net cash used in investing activities decreased to \$75,862,027 from the \$76,165,151 used in fiscal 2001. This decrease resulted because less cash was needed to acquire new investment properties.
- Net cash provided from financing activities also decreased to \$54,921,177 from the year earlier figure of \$56,743,205 because of a small decrease in our activity in acquiring new properties using 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, maturing investment certificates, construction and development activities, and property acquisitions through long-term secured borrowings and the issuance of additional equity securities 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 cash distributions to its shareholders 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 \$459,568,905 of mortgage indebtedness on April 30, 2002, \$31,003,091 is represented by variable rate mortgages on which the future interest rate will vary based on changes in the interest rate index for each respective loan and the balance of fixed rate mortgages was \$428,565,814. The principal payments due on all of the mortgage indebtedness are as follows:

<u>YEAR ENDING APRIL 30</u>	<u>MORTGAGE PRINCIPAL DUE</u>
2003	\$ 19,162,590
2004	10,630,799
2005	11,517,237
2006	12,356,777
2007	13,260,789
Later Years	392,640,713
Total	\$ 459,568,905

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 \$19,000,000, none of which were in use on April 30, 2002 and 2001. On April 30, 2000, \$6,452,420 was in use.

INCREASED COSTS AND ECONOMIC SLOWDOWN

In fiscal 2001, IRET experienced a sharp increase in the cost of utilities (primarily natural gas) in its apartment communities. 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.

IRET's insurance costs will increase substantially during the coming year. This increase in insurance costs, prior to September 2001, was not anticipated by management. Given the weakened economic state, it is unlikely IRET will be able to increase rents sufficiently to fully offset its increased costs. As a result, our expectation is that net income and FFO will still increase over the prior year, but at a lower rate than the 10% per share FFO growth of fiscal 2002.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is limited to fluctuations in the general level of interest rates on its current and future fixed and variable rate debt obligations. Even though our philosophy is to maintain a fairly low exposure to interest rate fluctuation risk, we are still vulnerable to significant fluctuations in interest rates on its variable rate debt, on any future repricing or refinancing of its fixed rate debt and on future debt.

We primarily use long-term (more than ten years) and medium-term (five to seven years) debt as a source of capital. We do not currently use derivative securities, interest-rate swaps or any other type of hedging activity to manage our costs of capital. As of April 30, 2002, we had the following amount of future principal payments on mortgages secured by our real estate:

LONG TERM DEBT

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>THEREAFTER</u>	<u>TOTAL</u>
Fixed Rate	\$ 17,573,189	\$ 8,922,038	\$ 9,698,550	\$ 10,420,601	\$ 11,199,027	\$ 370,752,409	\$ 428,565,814
Variable Rate	\$ 1,589,401	\$ 1,708,761	\$ 1,818,687	\$ 1,936,176	\$ 2,061,761	\$ 21,888,305	\$ 31,003,091
							\$ 459,568,905
Average Interest Rate (%)		(1)	(1)	(1)	(1)	(1)	(1)

(1) The weighted average interest rate as of April 30, 2002, was 7.41%. Any fluctuations on the variable interest rates could increase or decrease our interest expenses. For example, an increase of one percent per annum on our \$31,003,091 of variable rate indebtedness would increase our annual interest expense by \$310,000.

MANAGEMENT'S DISCUSSION & ANALYSIS

INCREASING OWNERSHIP OF COMMERCIAL PROPERTIES

Historically, the assets in our investment portfolio consisted predominantly of multi-family residential properties, as compared to commercial properties. More recently, our investment activities have caused this balance to shift so that the percentage of commercial properties held in our portfolio has increased significantly. Within the past two years, approximately 80% of our property acquisitions have been commercial properties due to the greater availability of these properties on terms that meet our financial and strategic objectives. If current market conditions continue, we anticipate that the percentage of commercial properties could equal or exceed the percentage of multi-family residential properties during fiscal 2003. This may not, however, be a long-term trend as in future periods we may purchase a greater percentage of multi-family residential properties depending on market conditions.

Our historical experience in acquiring multi-family residential properties may not be directly applicable to the acquisition of a greater percentage of commercial properties. Commercial properties involve different risks than multi-family residential properties, including: direct exposure to business and economic downturns; exposure to tenant lease terminations or bankruptcies; and competition from real estate investors with greater experience in developing and owning commercial properties.

CURRENT AND FUTURE VACANCIES

In the twelve months subsequent to April 30, 2002, leases covering approximately 11.80% of our total commercial square footage will expire. At April 30, 2002, approximately 2.1% of our total commercial square footage was vacant. Of that vacancy, approximately 54.04% is represented by the warehouse in Boise, Idaho, which has been vacant for the last 24 months. At April 30, 2002, approximately 6.96% of the units in our multi-family stabilized residential properties were vacant. Due to the overall general economic slowdown, we are expecting that our vacancy rates will increase over the next 12 to 18 months. Additionally, rent rates for commercial property in the Minneapolis area have stagnated at current levels with little possibility for increases in the next 12 to 18 months.

GEOGRAPHIC CONCENTRATION IN NORTH DAKOTA AND MINNESOTA

The majority of our assets are presently invested in real estate properties in North Dakota and Minnesota. For the year ended April 30, 2002, we received 68% of our commercial gross revenue from commercial properties in Minnesota and 20% of our commercial gross revenue from commercial properties in North Dakota. Minnesota accounts for 72% of our commercial real estate portfolio by square footage, while North Dakota

accounts for 18%. For the year ended April 30, 2002, we received 17% of our apartment gross revenue from multi-family residential properties in Minnesota and 32% of our apartment gross revenue from multi-family properties in North Dakota. As of that same date, we owned 1,309 apartment units, 16% of our total number of apartment units, in Minnesota, and 2,995 apartment units, 36% of our total number of apartment units, in North Dakota. We intend to continue focusing on real estate activities in the state of Minnesota which will result in an increase to our current concentration in the upper midwest.



Interlachen Corporate Center • Edina, MN

31 CALENDAR YEAR HISTORY OF INCREASING DISTRIBUTIONS

Since its first distribution paid July 1, 1971, IRET has never delayed, omitted or reduced its quarterly distribution and in each of the last 31 calendar years, the annual distribution has increased over the amount paid in the preceding year.

SHARE BID PRICE HISTORY		DISTRIBUTION HISTORY		TOTAL RETURN PER YEAR	
1971	\$1.00	1971	2.75¢	1971	2.8%
1975	1.50	1975	8.00¢	1975	12.9%
1985	3.15	1985	24.25¢	1985	19.5%
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	9.35	2001	57.50¢	2001	26.0%

(End of calendar year bid price per share of beneficial interest of IRET) *(Total calendar year distributions paid)* *Distributions plus share price changes. (Calendar year distributions paid plus change in share bid price divided by previous end of year share bid price.)*

PRICE RANGE OF SHARES OF BENEFICIAL INTEREST

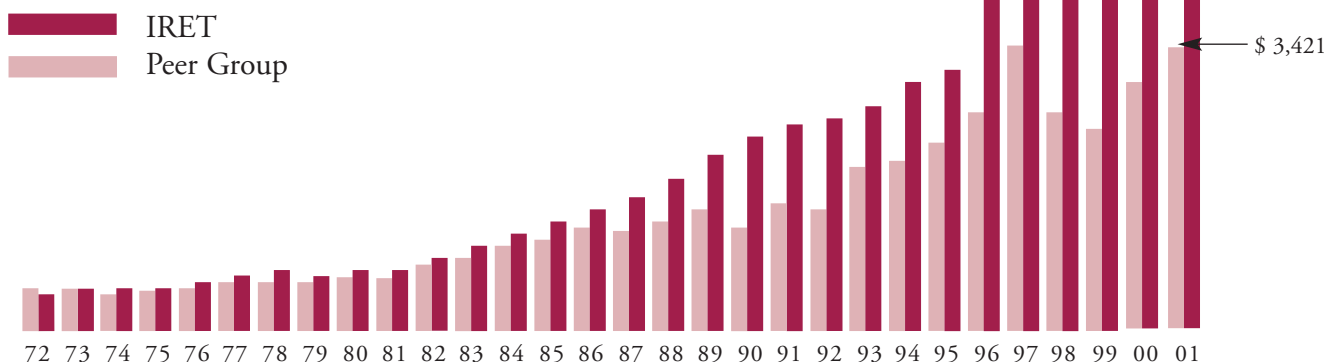
	FISCAL YEAR 2002		FISCAL YEAR 2001	
	HIGH	LOW	HIGH	LOW
May 1 to July 31	10.490	8.250	8.125	7.375
August 1 to October 31	9.430	8.800	8.250	7.594
November 1 to January 31	10.000	9.000	8.500	7.438
February 1 to April 30	10.450	9.510	8.980	8.000

CALENDAR YEAR TAX STATUS OF DISTRIBUTION

	2001	2000	1999	1998	1997
Capital gain	0.00%	.72%	30.25%	6.30%	2.90%
Ordinary income	65.98%	86.76%	69.75%	76.00%	97.10%
Return of capital	34.02%	12.52%	0.00%	17.70%	0.00%

31 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 distributions. 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, 2002, and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended April 30, 2002, 2001, and 2000. 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 misstatement. 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, 2002, and 2001, and the consolidated results of its operations and cash flows for the years ended April 30, 2002, 2001, and 2000, in conformity with accounting principles generally accepted in the United States of America.



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

May 22, 2002

CONSOLIDATED BALANCE SHEETS

Years Ended April 30,	2002	2001
ASSETS		
Real estate investments		
Property owned	\$ 740,319,436	\$ 591,636,468
Less accumulated depreciation	(58,925,517)	(44,093,145)
	\$ 681,393,919	\$ 547,543,323
Mortgage loans receivable	3,952,762	1,037,095
Total real estate investments	\$ 685,346,681	\$ 548,580,418
Other Assets		
Cash	\$ 12,333,426	\$ 6,356,063
Marketable securities - held-to-maturity	0	2,351,248
Marketable securities - available-for-sale	10,500,000	660,865
Rent receivable	3,233,765	1,925,429
Real estate deposits	422,045	522,500
Notes receivable	3,500,000	0
Prepaid and other assets	3,513,791	799,973
Tax, insurance, and other escrow	6,210,450	4,323,960
Furniture and fixtures	209,121	187,313
Goodwill	1,440,817	1,550,246
Deferred charges and leasing costs	3,498,922	3,064,109
Total Assets	\$ 730,209,018	\$ 570,322,124
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$ 10,596,277	\$ 8,252,758
Mortgages payable	459,568,905	368,956,930
Investment certificates issued	25,186,582	11,876,417
Total Liabilities	\$ 495,351,764	\$ 389,086,105
Commitments and Contingencies (<i>Note 14</i>)		
Minority interest in partnerships	\$ 12,819,077	\$ 3,287,665
Minority interest of unit holders in operating partnership	\$ 76,460,046	\$ 59,003,194
Shareholder's Equity		
Shares of beneficial interest (unlimited authorization, no par value, 27,847,079 shares outstanding in 2002 and 24,068,346 shares outstanding in 2001)	\$ 163,376,549	\$ 132,148,768
Accumulated distributions in excess of net income	(17,798,418)	(13,073,157)
Accumulated other comprehensive loss	0	(130,451)
Total shareholders' equity	\$ 145,578,131	\$ 118,945,160
Total Liabilities and Shareholders' Equity	\$ 730,209,018	\$ 570,322,124

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended April 30,	2002	2001	2000
REVENUE			
Real estate rentals	\$ 91,738,602	\$ 74,800,722	\$ 54,257,881
Interest, discounts and fees	1,277,467	966,428	1,187,312
Total Revenue	\$ 93,016,069	\$ 75,767,150	\$ 55,445,193
EXPENSES			
Interest	\$ 30,604,846	\$ 25,231,398	\$ 17,014,170
Depreciation	15,515,168	12,299,532	8,460,112
Utilities and maintenance	12,709,614	11,546,566	8,044,530
Taxes	9,184,599	7,545,182	5,282,361
Insurance	1,352,622	831,963	476,962
Property management expenses	6,985,542	5,784,423	4,290,275
Loss on impairment of properties	0	0	1,319,316
Administrative expenses	1,569,853	1,057,469	0
Advisory and trustee services	112,889	423,227	1,159,120
Operating expenses	565,802	431,390	633,692
Amortization	549,200	428,188	216,097
Total Expenses	\$ 79,150,135	\$ 65,579,338	\$ 46,896,635
Income before gain/loss on properties and minority interest	\$ 13,865,934	\$ 10,187,812	\$ 8,548,558
Gain on sale of properties	546,927	601,605	1,754,496
Minority interest portion - other partnerships	(198,564)	0	0
Minority interest portion - operating partnership	(3,614,168)	(2,095,177)	(1,495,209)
NET INCOME	\$ 10,600,129	\$ 8,694,240	\$ 8,807,845
Net income per share (basic and diluted)	\$.42	\$.38	\$.42

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 MAY 1, 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)	<u>(161,938)</u>
Total comprehensive income					\$ 8,645,907
Distributions	0	0	(10,645,963)	0	(10,645,963)
Distribution reinvestment plan	803,192	6,330,301	0	0	6,330,301
Sale 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 gain on securities available for sale	0	0	0	88,054	<u>88,054</u>
Total comprehensive income					\$ 8,782,294
Distributions	0	0	(12,673,321)	0	(12,673,321)
Distribution reinvestment plan	273,155	2,230,445	0	0	2,230,445
Sale 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
Comprehensive income					
Net income	0	0	10,600,129	0	10,600,129
Unrealized gain on securities available for sale	0	0	0	130,451	<u>130,451</u>
Total comprehensive income					\$ 10,730,580
Distributions	0	0	(15,325,390)	0	(15,325,390)
Distribution reinvestment plan	832,708	7,297,694	0	0	7,297,694
Sale of shares	2,947,986	23,949,523	0	0	23,949,523
Fractional shares repurchased	(1,961)	(19,436)	0	0	(19,436)
BALANCE APRIL 30, 2002	27,847,079	\$ 163,376,549	\$ (17,798,418)	\$ 0	\$ 145,578,131

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended April 30,	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 10,600,129	\$ 8,694,240	\$ 8,807,845
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,064,368	12,727,720	8,676,209
Minority interest portion of operating partnership income	3,812,732	2,095,177	1,495,209
Accretion of discount on contracts	0	0	(1,506)
Gain on sale of properties	(546,927)	(601,605)	(1,754,496)
Loss on impairment of properties	0	0	1,319,316
Interest reinvested in investment certificates	486,198	360,181	363,935
Effects on operating cash flows due to changes in:			
(Increase) decrease in real estate deposits	1,062,876	246,350	(467,950)
(Increase) decrease in rent receivable	(1,308,336)	(990,213)	(1,055,922)
(Increase) decrease in other assets	(2,850,807)	(201,547)	(283,838)
Increase in tax, insurance and other escrow	(1,886,489)	(1,105,357)	(1,457,408)
Increase in deferred charges	(874,584)	(805,364)	(1,319,634)
Increase (decrease) in accounts payable and accrued expenses	2,359,053	1,909,163	1,955,325
Net cash provided from operating activities	\$ 26,918,213	\$ 22,328,745	\$ 16,277,085
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of marketable securities held-to-maturity	\$ 3,085,208	\$ 250,172	\$ 363,014
Principal payments on mortgage loans receivable	5,591,429	613,934	492,547
Proceeds from sale of property	269,501	0	7,326,563
Payments for acquisitions and improvement of properties	(62,301,069)	(72,319,419)	(121,931,571)
Purchase of marketable securities available-for-sale	(10,500,000)	0	0
Investment in mortgage loans receivable	(8,507,096)	(4,709,838)	(6,291,617)
Investment in notes receivable	(3,500,000)	0	0
Net cash used for investing activities	\$ (75,862,027)	\$ (76,165,151)	\$(120,041,064)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of shares, net of issue costs	\$ 13,520,867	\$ 11,001,509	\$ 24,022,246
Proceeds from investment certificates issued	24,109,305	3,257,574	3,769,003
Proceeds from mortgages payable	43,093,345	79,369,000	93,969,098
Proceeds from sale of minority interest units	345,603	0	0
Repurchase of shares and minority interest units	(29,868)	(5,497,952)	(4,832,012)
Distributions paid	(8,362,657)	(5,963,290)	(4,315,662)
Distributions paid to minority interest unitholders	(4,476,875)	(3,059,078)	(1,846,104)
Distributions paid to other minority partners	(150,082)	0	0
Redemption of investment certificates	(2,195,531)	(1,828,594)	(5,815,818)
Principal payments on mortgage loans	(10,932,930)	(14,083,544)	(7,902,981)
Net increase (decrease) in short-term lines of credit	0	(6,452,420)	6,452,420
Net cash provided from financing activities	\$ 54,921,177	\$ 56,743,205	\$ 103,500,190
NET INCREASE (DECREASE) IN CASH	\$ 5,977,363	\$ 2,906,799	\$ (263,789)
CASH AT BEGINNING OF YEAR	6,356,063	3,449,264	3,713,053
CASH AT END OF YEAR	\$ 12,333,426	\$ 6,356,063	\$ 3,449,264

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

CONSOLIDATED STATEMENTS OF CASH FLOWS • *continued*

Years Ended April 30,	2002	2001	2000
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Distribution reinvestment plan	\$ 7,297,694	\$ 2,230,445	\$ 6,330,301
Real estate investment and mortgage loans receivable acquired through assumption of mortgage loans payable and accrual of costs	59,650,208	38,611,547	4,049,568
Mortgage loan receivable transferred to property owned	0	4,709,838	15,000,000
Proceeds from sale of properties deposited directly with escrow agent	856,411	4,093,684	0
Properties and goodwill acquired through the issuance of minority interest units in the operating partnership	19,793,183	25,543,524	21,602,841
Minority partner interest in Southdale Medical Center	0	3,287,655	0
Minority partner interest in Mendota Properties	9,482,931	0	0
Interest reinvested directly in investment certificates	325,063	360,181	363,935
Investment certificates transferred to shares	9,089,807	0	0
UPREIT units converted to shares	1,338,849	0	0
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest paid on mortgages	\$ 27,318,816	\$ 23,763,584	\$ 15,670,488
Interest paid on investment certificates	663,774	745,391	544,977
Interest paid on margin account and other	1,438	0	0
	\$ 27,984,028	\$ 24,508,975	\$ 16,215,465

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 ("IRET") qualifies under Section 856 of the Internal Revenue Code as a real estate investment trust. IRET has real estate properties located primarily throughout the upper Midwest, with its principal office located in Minot, North Dakota. IRET invests in commercial and residential real estate, real estate mortgages, governmental backed securities and equity securities in other real estate investment trusts. Gross rental revenues were derived 64% from residential property assets and 36% from commercial property assets.

Effective February 1, 1997, IRET reorganized its structure in order to convert to Umbrella Partnership Real Estate Investment Trust (UPREIT) status. IRET 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). IRET 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 IRET Properties have certain exchange rights allowing the exchange of limited partnership units for IRET shares 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. Each limited partnership unit is entitled to receive a cash distribution equal to any distribution paid on a share of IRET stock.

Effective July 1, 2000, IRET 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 IRET. 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 IRET and all of its subsidiaries in which it maintains a controlling interest. IRET is the sole shareholder of IRET, Inc., which is the general partner of the operating partnership, IRET Properties. IRET is also the sole shareholder of Miramont IRET Inc. and Pine Cone IRET Inc., both Colorado business corporations.

IRET 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 II - IRET, Inc., IRET - Ridge Oaks, LLC, and Applewood - IRET, Inc. The entities in the preceding sentence 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 LP, a Minnesota limited partnership, Meadows 2 Properties, LP, a North Dakota limited partnership, Ridge Oaks, LP, an Iowa limited partnership, and Applewood - IRET Properties, a Nebraska limited partnership. IRET Properties is also the sole owner of Health Investors Business Trust, a Delaware business trust and IRET - Oakmont, LLC. These entities are all invested in real estate and are formed and acquired solely so the underlying real estate may be encumbered by mortgage indebtedness.

The consolidated financial statements also include the ownership by IRET of a 60.31% in Minnesota Medical Investors LLC, SMB Operating Company LLC, and SMB MM LLC, collectively known as Southdale Medical Center and a 51% ownership interest in Mendota Properties, LLC, a Minnesota limited liability company. Mendota Properties, LLC, is the holder of all of the issued and outstanding membership interests in Mendota Office Holding LLC, a Minnesota limited liability company and Mendota Office Three and Four, LLC, a Minnesota limited liability company. The three Mendota LLCs are the owner of five multi-tenant commercial real estate properties in Dakota County, Minnesota. These companies are consolidated into the IRET's other operations with minority interests reflecting the minority partners' share of ownership and income and expenses.

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

ACCOUNTING POLICIES

NEW ACCOUNTING PRONOUNCEMENTS - Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, established 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. The impact of SFAS 133 is not significant.

In 2001 the FASB issued SFAS No. 141 "Business Combinations" ("SFAS 141") which requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method, SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") which provides new guidance in accounting for goodwill and intangible assets and SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The adoption of SFAS 141 had no effect of IRET's financial position or results of operations. IRET is required to adopt SFAS 142 and SFAS 144 on May 1, 2002. The impact of the adoption of SFAS 142 and SFAS 144 is not expected to have a significant impact.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Refurbishment type costs such as property-wide painting, carpeting, wallpaper, tiling, replacement of worn out appliances, replacement of worn out bathroom fixtures, replacement of worn out windows, siding, roofs, walkways, parking lots or landscaping, and any other type of refurbishment activity is capitalized. Interest, real estate taxes, and other development costs relating to the acquisition and development of certain qualifying properties are also capitalized. Expenditures for routine maintenance and repairs, such as individual apartment painting, wallpapering, cleaning, and appliance repair, which do not add to the value or extend useful lives are charged to expense as incurred.

IRET assesses whether there has been 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, IRET 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, the appraised value, and recent sales of comparable assets in close proximity to IRET's property.

IRET's acquisitions for the fiscal year 2002 in order of size:

Property	Location	Type	Cost	Date Acquired
Mendota Heights Office Complex	Mendota Heights, MN	Multi-tenant Office Building	\$ 51,280,260	04/30/02
Interlachen	Edina, MN	Multi-tenant Office Building	16,691,306	08/10/01
Thresher Square - East & West	Minneapolis, MN	Multi-tenant Office Building	11,119,958	01/02/02
Applewood on the Green	Omaha, NE	234-unit Apt Community	10,810,426	10/31/01
Wirth Corporate Center	Golden Valley, MN	Commercial Office	8,629,281	04/01/02
Stone Container	Roseville, MN	Industrial Building	8,265,238	12/20/01
Bloomington Business Plaza	Bloomington, MN	Multi-tenant Office Building	7,445,108	10/01/01
Edgewood Vista	Virginia, MN	Assisted Living Center	6,958,383	04/30/02
Wayroad	Minnetonka, MN	Commercial Office	5,394,985	04/01/02
Oakmont Apartments	Sioux Falls, SD	80-unit Apt Community	5,257,468	04/30/02
Canyon Lake Apartments	Rapid City, SD	109-unit Apt Community	4,280,120	09/27/01
Sunset Trail Phase II*	Rochester, MN	73-unit Apt Community	2,851,600	04/01/02
Morgan Chemical	New Brighton, MN	Industrial Building	2,428,810	04/30/02
Cottage Grove Center	Cottage Grove, MN	Strip Mall	1,116,089	07/06/01
Pinehurst Apartments	Billings, MT	21-unit Apt Community	751,310	02/28/02
TOTAL			\$143,280,342	

* Represents costs to complete a project started in year ending April 30, 2001.

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 IRET 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 completion 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.

FURNITURE AND FIXTURES consists of office furniture, fixtures, and equipment located at IRET's operational headquarters and is stated at cost net of accumulated depreciation. Accumulated depreciation was \$289,089 and \$215,757 as of April 30, 2002, and 2001, 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, and 20 - 40 years for buildings and improvements.

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

MARKETABLE SECURITIES - IRET's investments in securities are classified as securities "held-to-maturity" and securities "available-for-sale." The securities classified as "available-for-sale" as of April 30, 2002, represents an investment in a Merrill Lynch money market mutual fund and is stated at fair value. As of April 30, 2001, the "available-for-sale" investments consisted of equity shares in other real estate investment trusts which were also stated at fair value. Unrealized gains and losses on securities "available-for-sale" are recognized as direct increases or decreases in shareholders' equity. The securities classified as "held-to-maturity" consist

of Government National Mortgage Association securities. In June 2001, IRET sold these GNMA securities. 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. Cost of securities sold is recognized on the basis of specific identification.

TAX, INSURANCE, AND OTHER ESCROW - includes reserve for replacement funds to be used for replacement of structural elements and mechanical equipment of certain projects. The funds are under the control of the lender. Disbursements are made after supplying written documentation to the lender.

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 IRET toward the purchase of property or the payment of loan costs associated with loan placement or refinancing.

GOODWILL has been amortized on a straight-line basis over a period of 15 years. IRET periodically reviews goodwill for impairment and if a permanent decline in value has occurred, IRET will reduce its goodwill balance to fair value. Accumulated amortization of goodwill was \$200,620 and \$91,191 as of April 30, 2002, and 2001, respectively. See previous note for the impact of the new accounting pronouncement SFAS No. 142 "Goodwill and Other Intangible Assets."

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.

IRET reflects minority interests in the Southdale Medical Center and Mendota Heights Office Complex on the balance sheet for the portion of properties consolidated by IRET that are not wholly owned by IRET. 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 - IRET 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 over the earnings period in question. 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 - IRET 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. IRET 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.

IRET conducts all of its business activity as an umbrella real estate investment trust through its operating partnership, IRET Properties. This UPREIT status allows IRET to accept the contribution of real estate in exchange for limited partnership units. Generally, such a contribution to a limited partnership allows for the non-recognition of gain by an owner of appreciated real estate. The UPREIT concept is based on the combination of the non-recognition provisions of Section 721 of the Internal Revenue Code and the limited partnership conversion rights which allow the contributing partner to exchange the limited partnership interest received in exchange for the appreciated real estate for IRET's stock. Upon conversion of the partnership units to IRET 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. IRET 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. A summary of the changes in the allowance for doubtful accounts for the years ended April 30, 2002, and 2001, are as follows:

Years Ending April 30,	2002	2001
Balance at beginning of year	\$ 120,315	\$ 0
Provisions for doubtful accounts	30,000	120,315
Write-offs	(9,530)	0
Balance at close of year	\$ 140,785	\$ 120,315

Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. IRET receives payments for these reimbursements from substantially all its multi-tenant commercial tenants throughout the year based on estimates. Differences between estimated recoveries and the final billed amounts, which are immaterial, are recognized in the subsequent year.

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.

Profit on sales of real estate shall be recognized in full when the real estate is sold, provided the collectibility of the sales price is reasonably assured or the amount that will be collectible can be estimated and the seller is not obliged to perform significant activities after the sale to earn the profit. Any gain or loss on a sale or 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 DISTRIBUTION REINVESTMENT PLAN is available to all shareholders of IRET and all limited partners of IRET Properties. Under the Distribution Reinvestment Plan, shareholders or limited partners may elect to have all or a portion of their distribution used to purchase additional IRET shares.

NOTE 2 • OFF-BALANCE-SHEET RISK

IRET had deposits at First Western Bank, Bremer Bank, First International Bank, Associated Bank and Washington County Bank which exceeded Federal Deposit Insurance Corporation limits by \$8,517,162, \$454,088, \$2,748,210, \$934,773 and \$150,383, respectively, as of April 30, 2002.

As of April 30, 2002, IRET has agreements whereby First Western Bank provides additional coverage through repurchase agreements totaling \$15,075,000. First Western Bank has pledged U.S. Government Securities or U.S. Government Agency Securities under the repurchase agreements. The repurchase agreements have no impact on the fair market value of the underlying bank account balances since IRET is entitled to recover only up to the par value of their accounts, subject to the above maximum threshold.

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:

	April 30, 2002	April 30, 2001
Residential	\$ 389,930,454	\$ 361,577,622
Less accumulated depreciation	(41,629,462)	(32,296,179)
	\$ 348,300,992	\$ 329,281,443
Commercial	\$ 350,388,982	\$ 230,058,846
Less accumulated depreciation	(17,296,055)	(11,796,966)
	\$ 333,092,927	\$ 218,261,880
Remaining Cost	\$ 681,393,919	\$ 547,543,323

There were no repossessions during the years ended April 30, 2002, and 2001.

The above cost of residential real estate owned included construction in progress of \$0 and \$6,307,018 as of April 30, 2002, and 2001, respectively. As of April 30, 2002, IRET had no plans to fund any construction projects other than an expansion of the Southdale Medical Center in Edina, Minnesota, at an estimated cost of \$13,000,000 and to finance a \$5,000,000 addition to the existing facility of Edgewood Vista, in Hermantown, Minnesota. As of year end April 30, 2002, IRET committed to purchase the Three Paramount office

building in Bloomington, Minnesota, for \$7,350,000. In addition, as of April 30, 2002, IRET has outstanding offers to purchase selected properties as part of their normal operations.

IRET committed to sell Oak Manor Apartments in Dickinson, North Dakota for \$420,000 (book value of \$306,856), Oak Park Apartments in Dickinson, North Dakota for \$275,000 (book value of \$257,715), and Eastwood Apartments in Dickinson, North Dakota for \$620,000 (book value of \$406,512).

Construction period interest of \$99,668, \$316,644, and \$404,089 has been capitalized for the year ended April 30, 2002, 2001, and 2000, respectively.

Residential apartment units are rented to individual tenants with lease terms up to one year. Gross revenues from residential rentals totaled \$59,052,950, \$55,806,712, and \$42,379,855 for the year ended April 30, 2002, 2001, and 2000, respectively.

Gross revenues from commercial property rentals totaled \$32,685,652, \$18,994,010 and \$11,878,026 for the year ended April 30, 2002, 2001, and 2000, respectively. Commercial properties are leased to tenants under terms expiring at various dates through 2024. Lease terms often include renewal options and, in limited instances, buyout 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 \$116,239, \$124,092, and \$102,659 for the years ended April 30, 2002, 2001, and 2000, respectively.

The future minimum lease payments to be received under leases for commercial properties as of April 30, 2002, assuming that no options to renew or buy out the lease are exercised, are as follows:

Year Ending April 30,	
2003	\$ 27,628,991
2004	26,707,051
2005	25,120,322
2006	23,093,777
2007	21,511,722
Thereafter	133,182,414
	<u>\$ 257,244,277</u>

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 the 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, 2002, and 2001.

NOTE 4 • MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consists of five separate loans which are secured 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, 2002, are as follows:

Year Ending April 30,	
2003	\$ 3,783,217
2004	39,545
Later years	130,000
	<u>\$ 3,952,762</u>

There were no significant non-performing mortgage loans receivable as of April 30, 2002, or 2001. 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, 2002, and 2001, 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 fiscal 2002, 2001, or 2000. There was no interest income on non-performing loans recognized on a cash basis for fiscal 2002, 2001, and 2000.

NOTE 5 • MARKETABLE SECURITIES

The amortized cost and estimated market values of marketable securities held-to-maturity at April 30, 2001, 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

Marketable securities held-to-maturity consists of Governmental National Mortgage Association (GNMA) securities. During the first quarter ended July 31, 2001, IRET sold its GNMA securities to use these proceeds to acquire real estate properties. IRET held no marketable securities as of April 30, 2002, that were classified as held-to-maturity.

There was a realized gain on sales of securities held-to-maturity at the year ended April 30, 2002, of \$11,525. There were no realized gains or losses for the years ended April 30, 2001, and 2000.

The amortized cost and estimated market values of marketable securities available-for-sale at April 30, 2002, and 2001, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2002				
ISSUER Merrill Lynch	\$10,500,000	\$ 0	\$ 0	\$10,500,000
2001				
Equity shares in other REIT's	\$ 791,316	\$ 97,209	\$ 227,660	\$ 660,865

There was a \$68,881 realized loss on sales of securities available-for-sale for the year ended April 30, 2002. There were no realized gains or losses for the years ended April 30, 2001, and 2000.

NOTE 6 • NOTES PAYABLE

As of April 30, 2002, IRET had lines of credit available from three financial institutions. The first unsecured line of credit is with First Western Bank & Trust in the amount of \$5,000,000 carrying a variable interest rate equal to prime and maturing August 15, 2002. The weighted average interest rate for the year ended April 30, 2002, was 6.46%. The second unsecured line of credit is with First International Bank & Trust in the amount of \$4,000,000 with a variable interest rate equal to prime and maturing October 15, 2002. The weighted average interest rate for year ended April 30, 2002, was 6.46%. The third unsecured line of credit is with Bremer Bank in the amount of \$10,000,000 with a variable interest rate equal to Bremer's reference rate and maturing September 30, 2002. The weighted average interest rate for the year ended April 30, 2002, was 6.50%. Interest payments are due monthly on all three notes. As of April 30, 2002, and April 30, 2001, IRET had no unpaid balances on any of their lines of credit.

NOTE 7 • MORTGAGES PAYABLE

Mortgages payable as of April 30, 2002, included mortgages on properties owned totaling \$459,568,905. The carrying value of the related real estate owned was \$716,964,492.

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.

Monthly installments are due on the mortgages with interest rates ranging from 5.80% to 9.8854% and with varying maturity dates through November 30, 2036.

Of the mortgages payable, the balances of fixed rate mortgages totaled \$428,565,814 and \$337,364,781, and the balances of variable rate mortgages totaled \$31,003,091 and \$31,592,149 as of April 30, 2002, and 2001, respectively.

Most of the fixed rate mortgages have substantial pre-payment penalties. As of April 30, 2002, IRET did not plan to prepay any of its mortgage obligations. The aggregate amount of required future principal payments on mortgages payable as of April 30, 2002, is as follows:

Year Ending April 30,	
2003	\$ 19,162,590
2004	10,630,799
2005	11,517,237
2006	12,356,777
2007	13,260,789
Later years	392,640,713
Total payments	\$ 459,568,905

NOTE 8 • INVESTMENT CERTIFICATES ISSUED

IRET has sold investment certificates to the public. The interest rates vary from 6% to 9% per annum, depending on the term of the security. Interest is paid annually, semiannually, or quarterly on the anniversary date of issuance. In April of 2002, IRET discontinued the sale of investment certificates and the outstanding certificates will be redeemed at maturity as follows:

Year Ending April 30,

2003	\$ 16,484,256
2004	1,995,822
2005	2,221,533
2006	2,177,886
2007	2,307,085
	\$ 25,186,582

NOTE 9 • TRANSACTIONS WITH RELATED PARTIES

Acquisition of Odell-Wentz & Associates, L.L.C. - On July 1, 2000, IRET Properties acquired assets from Odell-Wentz & Associates, L.L.C. in exchange for limited partnership units having a value of \$2.1 million. The acquired assets included real estate, furniture, fixtures, equipment and other assets valued at \$675,000, goodwill of approximately \$1.6 million, and the assumption of mortgages and other liabilities of approximately \$236,000. Included in such transactions was the assumption of a note receivable from Timothy Mihalick, an executive officer, in the amount of \$101,002. The proceeds of such note were used to purchase shares. The note bears interest at New York Prime less 1% and is payable upon demand. The note is current. With the exception of Roger R. Odell, who retired, all officers and employees of Odell-Wentz and Associates, L.L.C. were retained by IRET.

Odell-Wentz & Associates, L.L.C. was owned equally by Thomas A. Wentz, Sr., IRET's current President and Chief Executive Officer, and Roger R. Odell, who, as of the acquisition date of July 1, 2000, was the President. Mr. Odell retired in July 2000, and he did not seek re-election to the Board of Trustees in August 2000. Currently, Mr. Odell has no relationship with the company as an employee, officer or trustee.

Prior to the acquisition, Odell-Wentz & Associates, L.L.C. acted as the sole advisor to IRET. Pursuant to an advisory contract, IRET paid an advisor's fee based on its net assets and a percentage fee for investigating and negotiating the acquisition of new investments. No fees were paid for fiscal year ended April 30, 2002. For the fiscal year ended April 30, 2001, IRET paid \$265,573 to Odell-Wentz & Associates L.L.C. under such contract. For the fiscal year ended April 30, 2000, IRET paid \$1,400,973 under such contract.

PROPERTY MANAGEMENT SERVICES - Investors Management and Marketing, Inc. ("IMM") provides property management services to IRET Properties and IRET. Roger R. Odell is a shareholder in IMM. From May 1, 2000, through June 30, 2000, (the last full month in which Mr. Odell served as President and as a member of the Board of Trustees), IRET paid \$114,421 to IMM for services rendered. For the fiscal year ended April 30, 2000, IRET paid \$649,729 to IMM for management services.

With the exception of Hoyt Properties, Inc., none of the firms engaged to provide property management services are affiliated with IRET, its officers, or members of its Board of Trustees. Hoyt Properties, Inc. is owned 100% by Steven B. Hoyt, a member of the Board of Trustees, and by his wife, Michelle E. Hoyt. As of April 30, 2002, Hoyt Properties managed the following commercial buildings pursuant to written management contracts:

Cold Spring Center	St. Cloud, MN
2030 Cliff Road	Eagan, MN
Plymouth IV & V	Plymouth, MN
Nicollet VII	Burnsville, MN
Burnsville Bluffs	Burnsville, MN
Pillsbury Business Center	Bloomington, MN
Bloomington Business Plaza	Bloomington, MN
Thresher Square	Minneapolis, MN
Wirth Corporate Center	Golden Valley, MN

As compensation for its services, Hoyt Properties, Inc. receives a monthly fee of 5% of the gross rental income, provided that such management fee is reimbursable by the building's tenants pursuant to the tenant's lease agreement. In the event IRET is not reimbursed for such fee by a tenant and must pay such fee from rent proceeds, the management fee declines to 3.5% of the gross rental proceeds.

Each of the written management contracts with Hoyt Properties commenced on April 1, 2001, with the exception of the contracts for Bloomington Business Plaza, which commenced on October 1, 2001, Thresher Square, which commenced on January 2, 2002, and Wirth Corporate Center, which commenced on April 1, 2002. All such management contracts may be terminated by either party on 30 days written notice for any reason and without penalty. For the year ending April 30, 2002, IRET paid management fees to Hoyt Properties in the amount of \$321,348, 100% of which has been reimbursed by IRET tenants.

Additionally, during the same period, IRET paid leasing commissions to Hoyt Properties in the amount of \$27,324. It is management's opinion that all of the terms of the management contracts are commercially reasonable and are on terms no less favorable than what could be obtained from unrelated property management firms.

Acquisition of Bloomington Business Plaza, Thresher Square and Wirth Corporate Center - During the year ended April 30, 2002, IRET acquired two commercial buildings from affiliates of Steven B. Hoyt, a member of the Board of Trustees. In October 2001, IRET acquired the Bloomington Business Plaza, a 121,063 square foot multi-tenant, office/warehouse from a general partnership owned by Mr. Hoyt. In January 2002, IRET acquired Thresher Square, a 113,736 square foot, seven-story office building from WPT I, LLC, a limited liability company that is 78% owned by Mr. Hoyt. Although the purchase agreements for the acquisition of each of these properties were negotiated and executed prior to the time that Mr. Hoyt became a member of the Board of Trustees, such acquisitions were closed after Mr. Hoyt had become a member of the Board.

The acquisition of the Bloomington Business Plaza was approved by the Board of Trustees, based on an independent appraisal of the property and the determination that such acquisition was fair and reasonable to IRET. The acquisition of Thresher Square was approved by the Board, other than Mr. Hoyt, who abstained from such vote, based on the determination by such members of the Board that the acquisition was fair and reasonable to IRET. Such members of the Board further determined, based on an internal current appraisal of such property, that substantial justification existed to pay a value greater than the cost of the property.

On April 1, 2002, IRET acquired Wirth Corporate Center, an 89,384 square foot, four-story office building from Mr. Hoyt. The Board of Trustees, other than Mr. Hoyt, who abstained from the vote approved the transaction as being fair and reasonable to IRET. The purchase price was based on an appraisal from an independent third-party who determined the value of the property to be \$8.6 million.

In addition to these acquisitions, on April 1, 2001, prior to the time that Mr. Hoyt was elected to the Board of Trustees, IRET acquired a group of six commercial properties from Mr. Hoyt, or affiliates of Mr. Hoyt. Such properties included 2030 Cliff Road, a 13,374 square foot, multi-tenant office building located in Eagan, Minnesota; Burnsville Bluffs, a 26,186 square foot, multi-tenant office building located in Burnsville, Minnesota; Cold Spring Center, a 77,533 square foot, multi-tenant office building located in St. Cloud, Minnesota; Nicollet VII, a 118,400 square foot, multi-tenant office building located in Burnsville, Minnesota; Pillsbury Business Center, a 42,220 square foot, multi-tenant office building located in Bloomington, Minnesota; and Plymouth IV and V, two multi-tenant office buildings having an aggregate of 126,809 square feet and located in Plymouth, Minnesota. The aggregate purchase price for these commercial properties was \$34.4 million. The acquisition of these commercial properties was approved by the Board of Trustees.

UPREIT UNIT LOAN PROGRAM - On January 16, 2002, the Board of Trustees authorized an UPREIT unit loan program that is available to persons that hold \$1.0 million or more of IRET Properties limited partnership units. Under such loan program, IRET may lend up to 50% of the value of the borrower's limited partnership units, with such value to be based on the closing price of IRET shares on the NASDAQ National Market on the date of the loan. Such loans will be for terms of two years or less, they will be secured by the borrower's limited partnership units in IRET Properties and they will be at a variable interest rate of 1.5% over the interest rate charged to us by a participating lender. The interest rate will adjust on the first of each month. In connection with such loans, IRET will charge a .5% loan fee.

On January 30, 2002, a loan in the amount of \$3.5 million was made to Steven B. Hoyt, a member of the Board of Trustees. The Board of Trustees approved such loan. The terms of the loan require Mr. Hoyt to make quarterly interest payments beginning April 1, 2002, with the full balance of the principal sum due on or before January 31, 2004. The initial interest rate is equal to the Wall Street Journal Prime Rate as of January 31, 2002, plus 1.5%, which is equal to 6.25%. Mr. Hoyt paid a \$17,500 loan fee on the date of the loan.

UPREIT CONTRIBUTION - On April 30, 2002, Edgeview Estate I, Ltd., a North Dakota limited partnership contributed the proceeds from the sale of real estate pursuant to IRET Properties UPREIT Contribution Program. The total amount contributed to IRET Properties by Edgeview in exchange for limited partnership units was \$386,168.17. A total of 38,908.632 units were allocated to the partnership at a price of \$9.925 per unit. The unit price of \$9.925 was determined using the average NASDAQ closing price for the 14 trading days prior to April 30, 2002, excluding the highest close and the lowest close during the 14-day period.

No commissions, fees or other costs were paid or incurred by IRET Properties.

Edgeview Estates I, Ltd is owned by current officers as well as current trustees and past trustees of IRET as follows: Thomas A. Wentz Sr., 6.67% - President, Investors Real Estate Trust; Thomas A. Wentz Jr., 26.67% - Vice President and Trustee of Investors Real Estate Trust; Roger R. Odell, 33.33%, Past President and former Trustee of Investors Real Estate Trust until July 1, 2000, and Mike F. Dolan, 33.33%, former Trustee of Investors Real Estate Trust until August, 1999.

SECURITY SALES AND SERVICE - Inland National Securities is a corporation that provides underwriting services in connection with the sale of IRET shares. Roger R. Odell is a shareholder in Inland National Securities. From May 1, 2000, through June 30, 2000, (the last full month in which Mr. Odell served as President and as a member of the Board of Trustees), IRET paid \$6,861 in fees to Inland National Securities for security sales services. For the fiscal year ended April 30, 2000, IRET paid \$100,081 for such services.

D.A. Davidson & Co. is a corporation that has, and may in the future, on a best-efforts basis, participate in offerings of IRET securities. John F. Decker, a member of the Board of Trustees, is an employee of D.A. Davidson. D.A. Davidson participated in IRET's share offering and sold a total of 700,000 shares. During the year ended April 30, 2002, IRET paid D.A. Davidson commissions in the amount of \$490,000, and reimbursed them for legal and travel expenses in the amount of \$4,814. Of this amount, Mr. Decker personally received \$26,117 in compensation from D.A. Davidson in connection with such offerings. During the fiscal year ended April 30, 2001, IRET paid D.A. Davidson \$50,000 for certain investment banking services. For IRET's most recent offering on April 25, 2002, D.A. Davidson sold 600,000 shares and received \$402,000 in commission and \$13,761 for legal and travel expenses paid in May, 2002.

LEGAL SERVICES - In the past, IRET paid fees and expense reimbursements to Pringle & Herigstad, P.C., the law firm in which Thomas A. Wentz, Jr., IRET's Vice President and General Counsel, was a partner until December 31, 1999. For the year ended, April 30, 2000, such fees and expense reimbursements totaled \$89,497. Thomas A. Wentz, Jr. has been a member of the Board of Trustees since 1996 and Vice President and General Counsel since June 2000.

NOTE 10 • MARKET PRICE RANGE OF SHARES

For the year ended April 30, 2002, a total of 7,644,522 shares were traded on the NASDAQ in 12,798 separate trades. The high was \$10.49, low \$8.25 and closing price on April 30, 2002, was \$10.03. 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, the 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, the low was \$7.681, and the closing price on April 30, 2000, was \$7.875.

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 IRET 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, most 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 reporting purposes.

YEAR ENDING APRIL 30, 2002

	COMMERCIAL	RESIDENTIAL	TOTAL
Segment Revenue			
Rental revenue	\$ 32,685,652	\$ 59,052,950	\$ 91,738,602
Segment Expenses			
Mortgage interest	12,475,652	16,687,801	29,163,453
Utilities and maintenance	2,117,993	10,591,621	12,709,614
Taxes	2,685,880	6,498,719	9,184,599
Insurance	236,814	1,115,808	1,352,622
Property management	940,102	6,045,440	6,985,542
Total Segment Expense	\$ 18,456,441	\$ 40,939,389	\$ 59,395,830
Segment Gross Profit	\$ 14,229,211	\$ 18,113,561	\$ 32,342,772

Reconciliation to consolidated operations:

Interest discounts and fee revenue	\$ 1,277,467
Other interest expense	(1,441,393)
Depreciation	(15,515,168)
Administration, advisory, and trust fees	(1,682,742)
Operating expenses	(565,802)
Amortization	(549,200)
Consolidated income before gain/loss on properties and minority interest	\$ 13,865,934

APRIL 30, 2002

Segment Assets			
Property owned	\$ 350,388,982	\$ 389,930,454	\$ 740,319,436
Less accumulated depreciation	(17,296,055)	(41,629,462)	(58,925,517)
Total consolidated property owned	\$ 333,092,927	\$ 348,300,992	\$ 681,393,919

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 Expense	\$ 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)
Administration, 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 Expense	\$ 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)
Administration, 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

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 after a holding period of one to two years. The following tables reconciles amounts reported in the consolidated financial statements for the years ended April 30, 2002, 2001, and 2000:

	2002	2001	2000
NUMERATOR			
Net income applicable to shares	\$ 10,600,129	\$ 8,694,240	\$ 8,807,845
Numerator for basic earnings per share	10,600,129	8,694,240	8,807,845
Minority interest portion of operating partnership income	3,614,168	2,095,177	1,495,209
Numerator for diluted earnings per share	\$ 14,214,297	\$ 10,789,417	\$ 10,303,054
DENOMINATOR			
Denominator for basic earnings per share			
Weighted average shares	25,492,282	23,071,500	20,899,848
Effect of dilutive securities			
Convertible operating partnership units	8,289,087	5,506,200	3,577,136
Denominator for diluted earnings per share	33,781,369	28,577,700	24,476,984
Basic earnings per share	\$ 0.42	\$.38	\$.42
Diluted earnings per share	\$ 0.42	\$.38	\$.42

NOTE 13 • RETIREMENT PLAN

As part of the acquisition on July 1, 2000, of Odell-Wentz & Associates, LLC, IRET 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. IRET matches up to 3% of participating employees' wages. Plan expenses to IRET for the years ended April 30, 2002, and 2001, were \$90,455 and \$45,301, respectively.

NOTE 14 • COMMITMENTS AND CONTINGENCIES

INSURANCE - IRET's portfolio-wide general liability and property insurance policies expired on April 30, 2002. IRET renewed these policies at similar coverage levels, but at a price of \$495,268 or 44.29% higher than the prior fiscal year's cost due to the addition of more property to IRET's portfolio as well as the general price increases for insurance coverage implemented by the insurance industry. A portion of IRET's insurance costs are passed through to certain commercial tenants pursuant to the terms of the applicable lease agreement. Of IRET's total insurance costs of \$1,613,552, \$281,737 or 17.46% will be billed back to IRET's commercial tenants. For fiscal 2002, all of IRET's real estate properties are insured against the customary casualty and liability claims except for acts of terrorism, which are excluded under IRET's new insurance policy. Management believes that IRET is in compliance with all insurance provisions of its debt agreements with the exception of one loan pertaining to an apartment complex in Rochester, Minnesota, held by Jefferson Pilot Financial in the amount of \$3,807,590 as of April 30, 2002. IRET has requested a waiver from the terror insurance requirement. This waiver request is pending with the lender. If the waiver is not granted, the increased cost to IRET for terrorism coverage on the apartment complex is expected to be \$100,000.

ENVIRONMENTAL MATTERS - Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, certain hazardous or toxic substances in, on, around or under property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate any property containing such substances, may adversely affect the owner's or operator's ability to sell or rent the affected property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal of, or remediation of, such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for the release of asbestos-containing materials into the air, and third parties may also seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials, as well as other hazardous or toxic substances. The operation and subsequent removal of certain

underground storage tanks are also regulated by federal and state laws. In connection with the current or former ownership (direct or indirect), operation, management, development and/or control of real properties, IRET may be considered to be an owner or operator of such properties, or to have arranged for the disposal or treatment of hazardous or toxic substances. As such, IRET may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and claims for injuries to persons and property.

It is currently IRET's policy to obtain a Phase I environmental study on each property that IRET seeks to acquire. If the Phase I indicated any possible environmental problems, IRET's policy is to order a Phase II study, which involves testing the soil and ground water for actual hazardous substances. No assurance can be given that the Phase I or Phase II environmental studies, or any other environmental studies undertaken with respect to any of IRET's current or future properties, will reveal the full extent of potential environmental liabilities, that any prior owner or operator of a property did not create any material environmental condition unknown to IRET, that a material environmental condition does not otherwise exist as to any one or more of such properties or that environmental matters will not have a material adverse effect on IRET, IRET's ability to make distributions to shareholders and IRET's ability to pay amounts due on debt. IRET currently does not carry insurance for environmental liabilities.

Certain environmental laws impose liability on a previous owner of property to the extent that hazardous or toxic substances were present during the prior ownership period. A transfer of the property does not relieve an owner of such liability. As a result, in addition to any liability that IRET may have with respect to current properties, IRET may also have liability with respect to properties previously sold by IRET's predecessors or by IRET. To management's knowledge, as of April 30, 2002, IRET does not own and has not sold any properties that contain known material environmental liabilities.

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 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.

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

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

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

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Mortgage loan receivable	\$ 3,952,762	\$ 3,952,762	\$ 1,037,095	\$ 1,037,095
Cash	12,333,426	12,333,426	6,356,063	6,356,063
Marketable securities held-to-maturity	0	0	2,351,248	2,354,018
Marketable securities available-for-sale	10,500,000	10,500,000	660,865	660,865
FINANCIAL LIABILITIES				
Notes payable	\$ 0	\$ 0	\$ 0	\$ 0
Mortgages payable	459,568,905	446,861,536	368,956,930	356,434,028
Investment certificates issued	25,186,582	24,880,390	11,876,417	11,804,535
Accrued interest payable	3,380,046	3,380,046	2,714,412	2,714,412

QUARTERLY RESULTS OF CONSOLIDATED OPERATIONS (unaudited)

QUARTER ENDED	07-31-01	10-31-01	01-31-02	04-30-02
Revenues	\$ 21,780,094	\$ 23,175,041	\$ 23,605,772	\$ 24,455,162
Income before gain on properties and minority interest	3,250,866	3,743,415	3,642,689	3,228,964
Net gain on sale of properties	307,934	16,398	3,346	219,241
Minority interest portion of operating partnership income	(783,073)	(813,898)	(1,405,783)	(809,976)
Net Income	2,775,727	2,945,915	2,240,252	2,638,235
Per share				
Net Income	.11	.12	.09	.10

QUARTER ENDED	07-31-00	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(loss) on properties and minority interest	2,565,131	2,707,811	2,719,679	2,195,191
Net gain(loss) on sale of properties	0	0	25,124	576,481
Minority interest portion of operating partnership income	(425,667)	(538,618)	(426,316)	(704,576)
Net Income	2,139,464	2,169,193	2,318,487	2,067,096
Per share				
Net Income	.09	.10	.10	.09

QUARTER ENDED	07-31-99	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 on properties and minority interest	1,801,322	2,478,912	2,390,868	1,877,456
Net gain on sale of properties	257,895	1,519,918	0	(23,317)
Minority interest portion of operating partnership income	(235,935)	(579,625)	(369,028)	(310,621)
Net Income	1,823,282	3,419,205	2,021,840	1,543,518
Per share				
Net Income	.09	.16	.11	.06

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
website: www.iret.com

OUTSIDE ATTORNEYS

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

EXECUTIVE OFFICERS

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

INFORMATION PROCESSING

MICHELLE R. SAARI
ASSISTANT VICE PRESIDENT

SHARLA J. NESSON
INFORMATION PROCESSOR

JULIE A. EBERT
ADMINISTRATIVE ASSISTANT



SEC FORM 10-K405

Copies of Investors Real Estate Trust's Annual Report on Form 10-K405 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 32nd Annual Meeting of Shareholders in the Executive Room, International Inn, 1505 North Broadway, Minot, North Dakota, at 7:00 P.M. on Tuesday, September 24, 2002.

STOCK TRADING INFORMATION

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

DISTRIBUTION REINVESTMENT PLAN

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

COMMON SHAREHOLDERS OF RECORD/SHARES OUTSTANDING

As of August 1, 2002, Investors Real Estate Trust had approximately 5,186 shareholders of record and 31,646,599 shares outstanding.



Investors Real Estate Trust

12 South Main Street, Suite 100

PO Box 1988

Minot, ND 58702-1988

www.iret.com