

CREATING *value* FOR SHAREHOLDERS



IRET

INVESTORS REAL ESTATE TRUST

2003 Annual Report



C. Morris Anderson
Original Trustee since 1970

33 years of service

thank you...

Ask Morris how he feels about IRET and he ponders for a moment then quietly says, "It's been a great experience - enjoyable. I am really going to miss IRET."

Morris is retiring from the Board of Trustees after serving 33 years as an original Trustee of IRET. His insight and vision have helped develop a foundation for IRET that reflects our commitment - *creating value for our shareholders.*

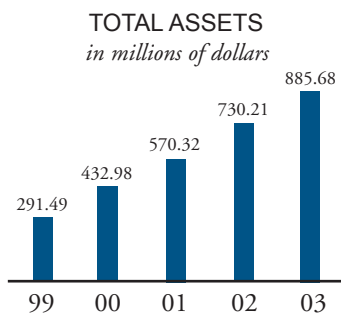
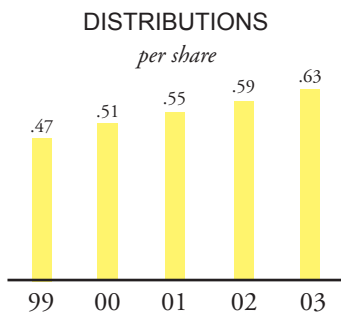
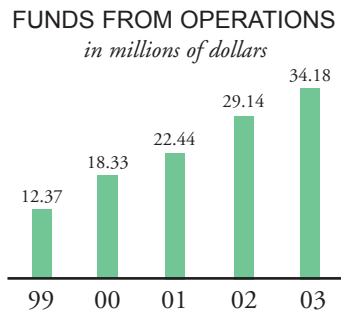
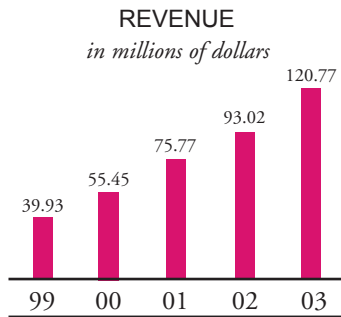
Morris has helped IRET, a fledgling North Dakota-based company founded in 1970, grow and expand into the multi-state, publicly traded real estate investment trust it has become today.

Morris will always be a part of the IRET family. As he moves to Trustee Emeritus status, we welcome his continued contributions.

Thank you, Morris, for your years of service and dedication to IRET.

Contents

Financial Highlights	1
Company Profile	2
President's Report	3
Investment Portfolio	8
Tracking Performance	11



The selected consolidated financial data set forth below for the fiscal years ended April 30, 2003, 2002 and 2001, has been derived from our financial statements, which have been audited by Brady Martz & Associates, P.C., independent auditors, whose report is included in the Company's form 10-K for the fiscal year ended April 30, 2003, as filed with the U.S. Securities and Exchange Commission. The consolidated financial data for the years

ended April 30, 2000 and 1999 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 in the Company's form 10-K.

Years Ended April 30,	2003	2002	2001	2000	1999
Consolidated Income Statement Data					
Revenue	\$ 120,766,665	\$ 93,016,069	\$ 75,767,150	\$ 55,445,193	\$ 39,927,262
Income before Gain/Loss on					
Properties and Minority Interest	\$ 15,486,435	\$ 13,865,934	\$ 10,187,812	\$ 8,548,558	\$ 6,401,676
Gain on Repossession/Sale of Properties	1,594,798	546,927	601,605	1,754,496	1,947,184
Minority Interest Portion of					
Operating Partnership Income	(4,833,072)	(3,812,732)	(2,095,177)	(1,495,209)	(744,725)
Net Income*	\$ 12,248,161	\$ 10,600,129	\$ 8,694,240	\$ 8,807,845	\$ 7,604,135
Consolidated Balance Sheet Data					
Total Real Estate Investments	\$845,324,970	\$ 685,346,681	\$ 548,580,418	\$ 418,216,516	\$ 280,311,442
Total Assets	\$885,680,521	\$ 730,209,018	\$ 570,322,124	\$ 432,978,299	\$ 291,493,311
Shareholders' Equity	\$214,761,105	\$ 145,578,131	\$ 118,945,160	\$ 109,920,591	\$ 85,783,294
Per Share					
Net Income	\$.38	\$.42	\$.38	\$.42	\$.44
Distributions	\$.63	\$.59	\$.55	\$.51	\$.47
Funds From Operations**	\$ 34,178,597	\$ 29,143,549	\$ 22,440,463	\$ 18,327,986	\$ 12,368,550

* Includes both continuing and discontinued (real estate that we sold) operations for the indicated fiscal years.

** 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.

COMPANY PROFILE

ORGANIZATIONAL STRUCTURE

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.

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

As of April 30, 2003, IRET owned 64 apartment communities containing 8,227 apartment units and 125 commercial properties with 6,083,588 square feet of rentable space located primarily in Minnesota and North Dakota as well as twelve other states.

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 properties and a variety of commercial properties. In order to meet yield objectives, we generally seek to borrow 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.



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 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 65% to 85% of our funds from operations (FFO) (net income reduced by capital gain income and increased by real estate depreciation). We use the remaining FFO to make capital improvements to existing properties and to acquire more properties. By reinvesting a portion of FFO, we expect to enhance the income-producing capability of our portfolio.

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.

To Our Fellow Shareholders,

April 30, 2003, marked the completion of IRET's 33rd year and, in our opinion, the year was one of significant growth and progress for our Company. Of particular importance was the merger of IRET and the T. F. James Company of Excelsior, Minnesota, which brings to us the resources and expertise of this successful 50-year old real estate firm and gives IRET an office and staff in the Twin Cities of Minneapolis and St. Paul, Minnesota, our largest market. Also, in spite of the most difficult economic conditions in a decade, our portfolio performed at a level which allowed us to continue quarterly increases in cash distributions to our shareholders - a practice we will do our best to continue. Some of the highlights of our 33rd year were:

Change in Portfolio Mix - More Commercial, Less Apartments

IRET has historically sought to weight its real estate portfolio toward apartment communities, expecting that apartments would make up 65% to 75% of its holdings. However, during the last three years, we have found apartments to be over-priced and have chosen to direct more of our investment dollars to commercial properties because we believe that course will offer the best value for our shareholders. During the past year we acquired only two apartment communities consisting of 132 units for \$3,938,053 while we acquired 64 commercial properties for \$163,452,292. Likewise, of the \$143,280,342 invested to acquire real estate properties during fiscal 2002, \$23,950,924 (17%) went to acquire apartment communities and \$119,329,418 (83%) was invested in commercial real estate. As a result of this investment direction, our portfolio on April 30, 2003, consisted of more commercial properties (57%) based on our cost, than apartments (43%). While we actively sought to direct more of our equity capital to apartment communities, we were able to identify only a few apartment properties that met our investment criteria. We will continue to search

diligently for apartment investments, but at the present time we find most 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.

Merger with T. F. James Company

In February 2003, we entered into a merger agreement with the T. F. James Company, a privately held Iowa corporation primarily engaged in the development and ownership of retail and commercial real estate in Minnesota and surrounding states. As a result of the merger, we acquired 50 retail and commercial real estate properties containing approximately 881,949 square feet of rentable space as well as eight undeveloped or primarily vacant parcels of real estate. The merger increased our real estate portfolio by \$71,412,613, and is expected to increase gross rental revenues by \$6,356,000 on an annual basis. The eight undeveloped and vacant properties acquired in the merger accounted for approximately \$2,760,000 of the total transaction.



PRESIDENT'S REPORT

In order to manage the newly acquired properties, we have continued to operate the T. F. James Company Minneapolis office. Six employees of the T. F. James Company joined the staff of IRET. Mr. Charles Wm. James, President and shareholder of the T. F. James Company, was appointed to fill an open seat on the Board of Trustees of Investors Real Estate Trust. Mr. James is also Senior Vice President of Development and Asset Management for the IRET Minneapolis Portfolio.



IRET Minneapolis
Anthony Oxborough
Richard Kvanbeck
Brian Rose

Sale of Vacant Boise, Idaho Property

We sold the furniture retail property in Boise, Idaho which, for the past several years, had been vacant and had negatively impacted our earnings.

33 Years of Increased Cash Distributions to Shareholders

We again increased the cash distribution paid on our shares of beneficial interest and operating partnership units during each quarter of fiscal 2003. Distributions increased to 62.50¢ per share, compared to 59.45¢ per share paid in the prior fiscal year, an increase of 5.1%. IRET made its first cash distribution to shareholders on July 1, 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, we have also increased our distribution every quarter. On July 1, 2003, the cash distribution was increased to 15.85¢ per share and unit and was the 129th consecutive quarterly cash distribution paid.

Increase in Equity Capital

IRET successfully completed a \$34,200,000 public offering of 3,600,000 shares of beneficial interest during fiscal 2003. The proceeds from this public offering of shares, together with the T. F. James Company merger and the proceeds received from the Distribution Reinvestment Plan resulted in shareholder equity increasing to \$214,761,105 at fiscal year-end, compared to the year earlier figure of \$145,578,131, an increase of \$69,182,974 (47.5%). In addition, the minority interest in the operating partnership increased to \$80,376,853, compared to the year earlier figure of \$76,460,046, an increase of \$3,916,807. Also, the minority interest in other partnerships controlled by IRET increased to \$14,224,628 from \$12,819,077 for a total increase in book equity capital of the operating partnership of \$74,505,332.



IRET Minneapolis
Charles Wm. James

Financial Results

For IRET's 33rd year, which ended on April 30, 2003, financial results were:

- Real estate owned reached \$919,780,802 (at cost, without depreciation allowance), compared to the year earlier figure of \$740,319,436, an increase of 24.2%.
- Gross revenues were \$120,766,665, compared to \$93,016,069 for the prior year, an increase of 29.8%.
- Funds from operations (FFO) were \$34,178,597, compared to \$29,143,549 in the prior year, an increase of 17.3%. On a per share basis, FFO was 80.20¢ per share, compared to 86.27¢ per share, a decrease of 7.0%. FFO is a supplemental non-GAAP financial measurement used as a standard in the real estate industry to measure and compare the operating performance of real estate companies. We adhere to the NAREIT definition of FFO. NAREIT defines FFO as net income or loss, excluding gains on losses from sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis. A reconciliation of FFO to GAAP net income is included in the Company's form 10-K for the fiscal year ended April 30, 2003, as filed with the U.S. Securities and Exchange Commission.
- Net income was \$12,248,161 compared to \$10,600,129 for the prior year. On a per share and unit basis, net income was \$.38 compared to \$.42 for the prior fiscal year. All per share and unit amounts reported are diluted with basic per share and unit information also included in IRET's 10-K for the period ending April 30, 2003, as filed with the U. S. Securities & Exchange Commission.

Straight-Line Rents

Accounting standards require us to record "straight-line rents" as revenue on

commercial leases having periodic rent increases. As a result, we record rent income that will not actually be collected until later years. The total "straight-line rents" included in the preceding revenue, net income, and FFO figures are \$1,391,226 for fiscal 2003 and \$1,311,105 for fiscal 2002.

Portfolio Expansion

IRET's operating partnership invested \$3,938,053 during fiscal 2003 to acquire two apartment communities containing 132 apartment units, \$163,452,292 to acquire 64 commercial buildings totaling 2,416,653 square feet of net rentable space and \$7,056,438 to expand the Southdale Medical Center. Four apartment communities consisting of 201 apartment units and three commercial properties totaling 119,419 square feet were disposed of during fiscal 2003. The operating partnership ended the year owning 64 apartment communities with 8,227 apartment units and 125 commercial properties totaling 6,083,588 rentable square feet. In addition to our new acquisitions, we invested \$13,859,935 in our existing properties for capital improvements and expansions.

Share Price

The last trade of IRET shares on the NASDAQ National Market on April 30, 2003, was at \$9.80 per share. The last trade on April 30, 2002, was at \$10.03 per share resulting in a decrease of 2.3% during the fiscal year. The stock price performance for the past fiscal year is in contrast to its performance the prior two fiscal years when shareholders enjoyed a 14.4% increase for fiscal 2002 and an 11.4% increase for fiscal 2001. The slight decrease in our share price this past year should be viewed with the strong increases during the prior two years. The three-year performance is 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.

PRESIDENT'S REPORT

Despite the slight dip this year, IRET has met this goal on average over its 33-year history. We will continue to do our best to deliver to our shareholders the same consistent financial results they have enjoyed over the past 33 years.

The Future

IRET is well positioned to build and expand upon our 33-year history of creating value for our shareholders.

- We have a large, diversified real estate portfolio with an income stream not overly dependent on a single property type, geographic area or exposed to a concentrated tenant credit or lease rollover risk.



IRET Minneapolis

Robert Martin
Tonia Sikorski
Deb Swanson

- We have primarily used 10-year fixed rate financing to acquire our real estate assets. Thus, a rapid increase in interest rates would not have an immediate impact on our operations.

For these reasons, we expect to be able to continue our cash distributions policy and keep pace with inflation.

- We have an energetic, talented and experienced staff as well as a growing network of relationships with leading real estate professionals.
- We expect to be able to acquire additional real estate properties with our UPREIT program, as well as cash acquisitions with existing funds.

While the struggling economy will present challenges for all businesses in the short-term, we are optimistic about IRET's long-term future. We will conduct our business using the same principles that we have employed over the past 33 years.

Sincerely,

A handwritten signature in black ink that reads "Thomas A. Wentz Sr." with a stylized flourish at the end.

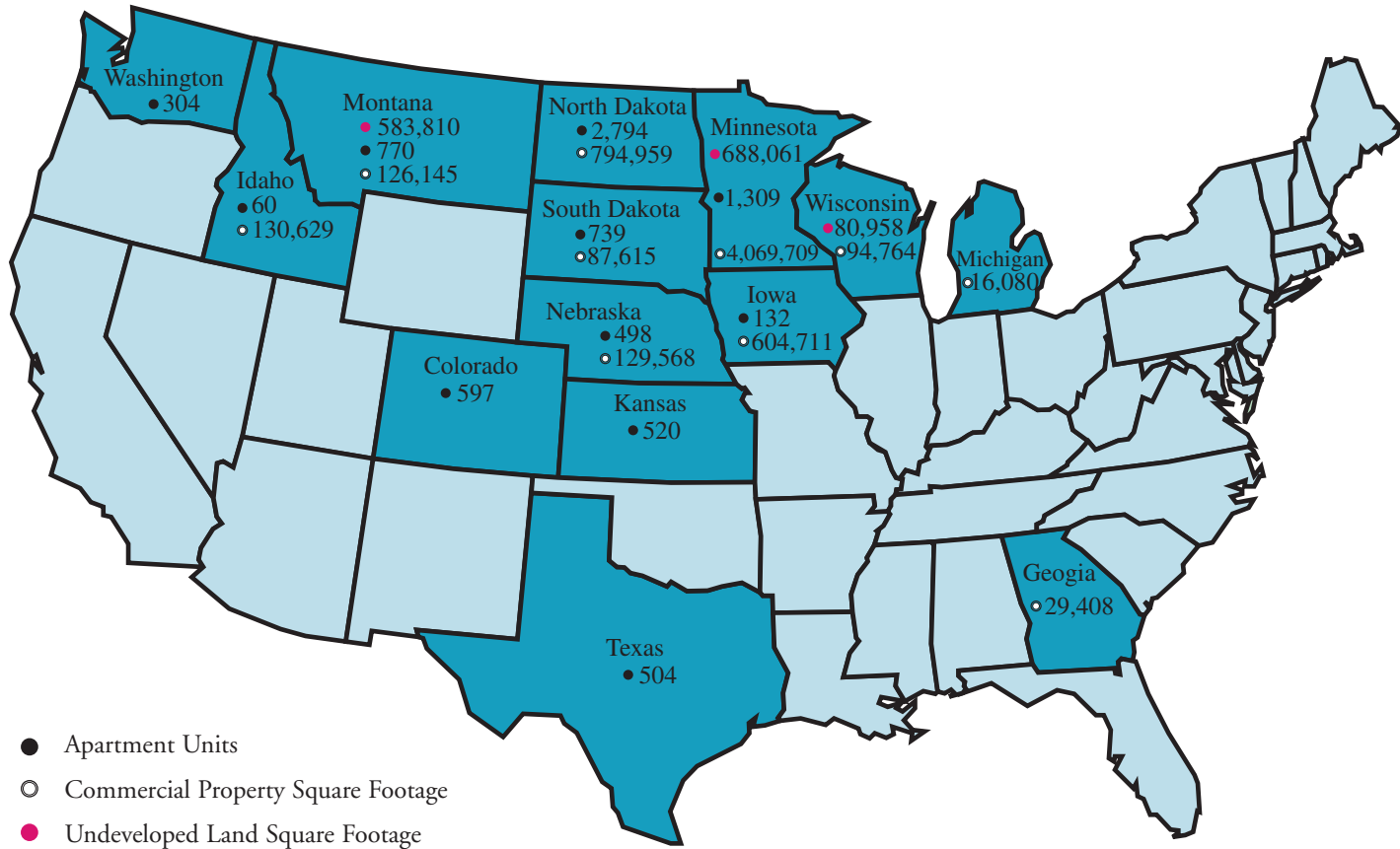
Thomas A. Wentz Sr.
President & CEO



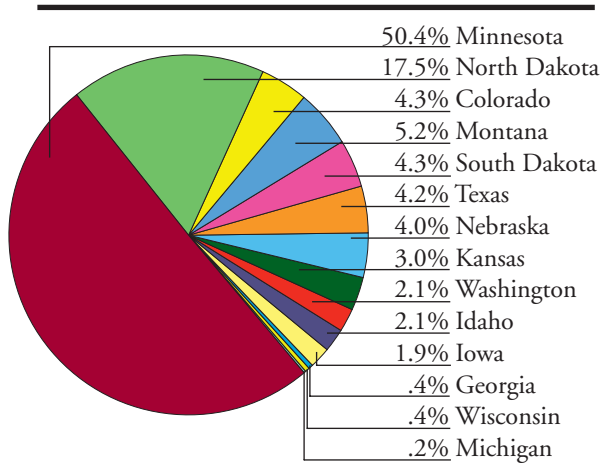


Central Bank - Eden Prairie, MN

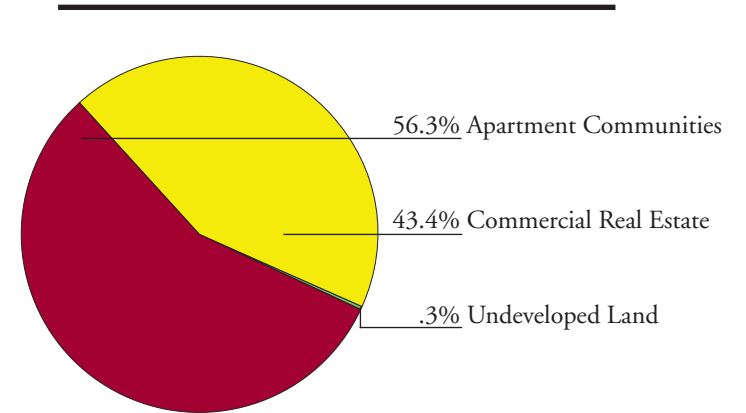
INVESTMENT PORTFOLIO



Property Investments
percentage by state



Real Estate Portfolio Mix



Commercial Properties by IRET

State	Sq. Ft.	Investment	Fiscal 2003 Occupancy
Georgia	29,408	\$ 3,971,878	100.0%
Idaho	130,629	15,041,490	100.0%
Iowa	604,711	12,900,879	N/A
Michigan	16,080	2,121,474	100.0%
Minnesota	4,069,709	401,714,620	96.2%
Montana	126,145	7,284,253	100.0%
Nebraska	129,568	14,724,210	100.0%
North Dakota	794,959	49,073,817	96.7%
South Dakota	87,615	8,021,565	71.4%
Wisconsin	94,764	3,250,000	N/A
Total Commercial Property	6,083,588	\$ 518,104,186	95.4%

Apartment Communities by IRET

State	Units	Investment	Fiscal 2003 Occupancy
Colorado	597	\$ 39,758,067	89.5%
Idaho	60	3,894,385	92.5%
Iowa	132	4,765,404	91.6%
Kansas	520	27,526,053	93.4%
Minnesota	1,309	61,110,394	90.0%
Montana	770	38,482,834	93.3%
Nebraska	498	22,132,467	78.1%
North Dakota	2,794	112,084,375	95.2%
South Dakota	739	31,500,873	87.1%
Texas	504	38,097,248	90.9%
Washington	304	19,564,516	89.7%
Total Apartment Communities	8,227	\$ 398,916,616	91.2%

Undeveloped Land

State	Sq. Ft.	Investment
Minnesota	688,061	\$ 1,010,000
Montana	583,810	1,550,000
Wisconsin	80,958	200,000
Total Undeveloped Land	1,352,829	\$ 2,760,000
Total Real Estate Owned		\$ 919,780,802

TCF Bank - Chanhassen, MN



n/a = non-stabilized property acquired in fiscal 2003.

Southdale Medical Center - Edina, MN



32 Calendar Year History of Increasing Distributions

Since its first distribution paid July 1, 1971, IRET has never delayed, omitted or reduced its quarterly distribution. In each of the last 32 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%
2002	\$ 10.05	2002	61.20¢	2002	14.0%

(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

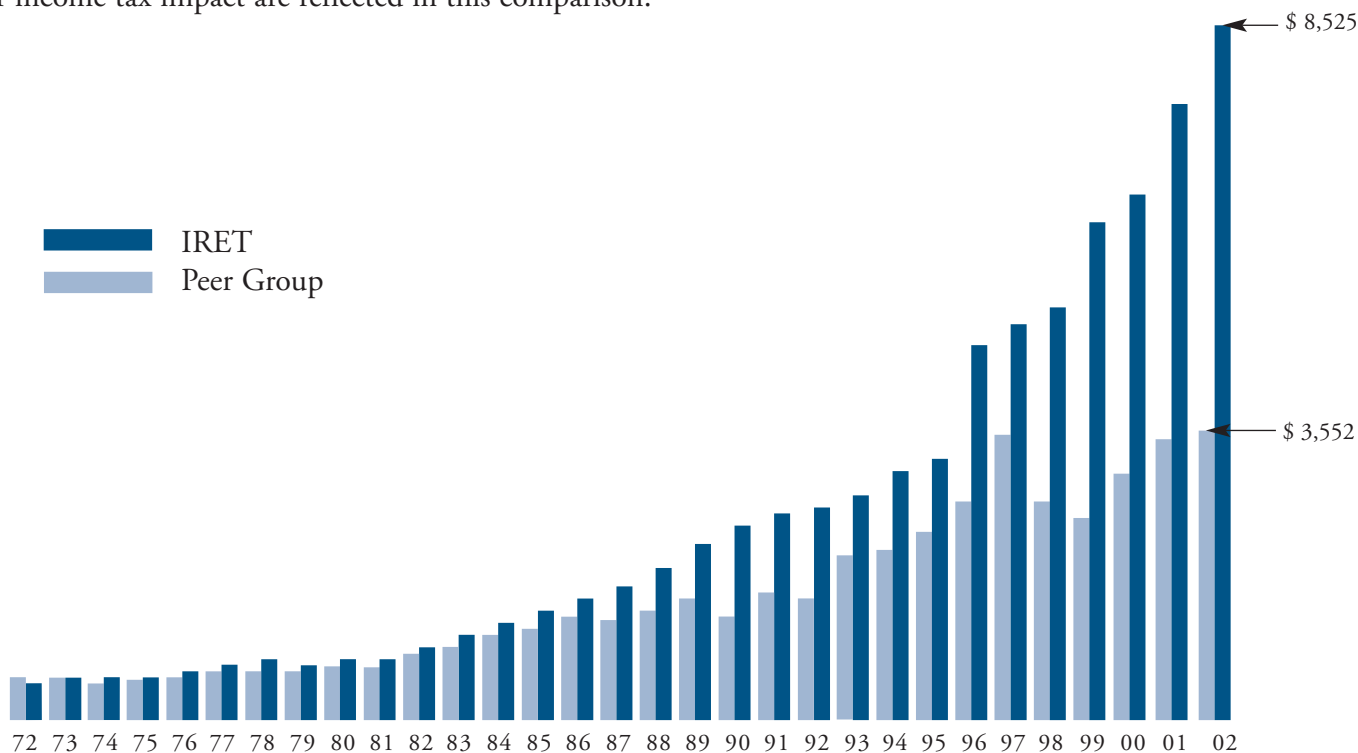
	Fiscal Year 2003		Fiscal Year 2002		Fiscal Year 2001	
	High	Low	High	Low	High	Low
May 1 to July 31	11.900	8.550	10.490	8.250	8.125	7.375
August 1 to October 31	11.000	9.050	9.430	8.800	8.250	7.594
November 1 to January 31	11.000	9.660	10.000	9.000	8.500	7.438
February 1 to April 30	10.000	8.980	10.450	9.510	8.980	8.000

Calendar Year Tax Status of Distribution

	2002	2001	2000	1999	1998	1997
Capital gain	0.00%	0.00%	.72%	30.25%	6.30%	2.90%
Ordinary income	68.30%	65.98%	86.76%	69.75%	76.00%	97.10%
Return of capital	31.70%	34.02%	12.52%	0.00%	17.70%	0.00%

32 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.

Corporate Headquarters

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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

Gray, Plant & Mooty
3400 City Center
33 South 6th Street
Minneapolis, MN 55402-3796

Auditors - through July 23, 2003

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

Auditors - beginning July 24, 2003

Deloitte & Touche LLP
400 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402-1844

Board of Trustees

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

Executive Officers

Thomas A. Wentz, Sr. - President & Chief Executive Officer
Timothy P. Mihalick - Senior Vice President & Chief Operating Officer
Thomas A. Wentz, Jr. - Senior Vice President & General Counsel
Diane K. Bryantt - Senior Vice President & Chief Financial Officer
Charles Wm. James - Senior Vice President of Development & Asset Management
Michael A. Bosh - Secretary and Associate General Counsel

Stock Listing: Nasdaq: IRETS

Annual Meeting: Investors Real Estate Trust will hold its 33rd Annual Meeting of Shareholders in the Executive Room, International Inn, 1505 North Broadway, Minot, North Dakota, at 7:00 p.m. CDT on Tuesday, September 23, 2003.

SEC Form 10-K: The company's annual report on form 10-K and corresponding exhibits for the fiscal year ended April 30, 2003, are filed with the U.S. Securities and Exchange Commission and can be accessed in the EDGAR database at the SEC website, www.sec.gov, or through the Investor Relations section of IRET's website, www.iret.com. Requests for any such items should be made to: IRET, Investor Relations, PO Box 1988, Minot, ND 58702-1988.

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