



2017 ANNUAL REPORT



Progress on Portfolio Transformation

President & CEO Mark O. Decker, Jr.

Fellow Shareholders,

Fiscal Year 2017 was a year of significant transformation and accomplishment for IRET as we continue to execute on our plans to become a focused multifamily company. This transformation is not without challenges, but we believe the changes underway are putting us on the right path forward to drive strong and predictable growth over time and unlock the value within our portfolio.

Let me review the milestones we achieved in FY 2017 and provide my thoughts on our strategic direction:

Improved Portfolio & Earnings Quality

During FY 2017, we largely exited the senior housing sector, having completed the sale of 32 of 34 properties, and sold seven additional non-core properties for an aggregate sale price of \$287 million. We completed development of two apartment properties representing total investment of \$103 million. These efforts reduced risk to our company by lowering our reliance on a large single-tenant senior housing operator and improved our portfolio quality with market-leading multifamily rental product. As a result of these efforts, multifamily revenue increased by more than 10%.

“ We continue to make significant headway on our strategic initiatives to transform IRET to a focused multifamily company. Our portfolio is more efficient, we removed uncertainty from our investment profile, and our balance sheet has meaningful flexibility for targeted growth. As we enter FY 2018, IRET is a stronger and better company, and we believe we are well-positioned to drive growth and create long-term value for our investors. ”

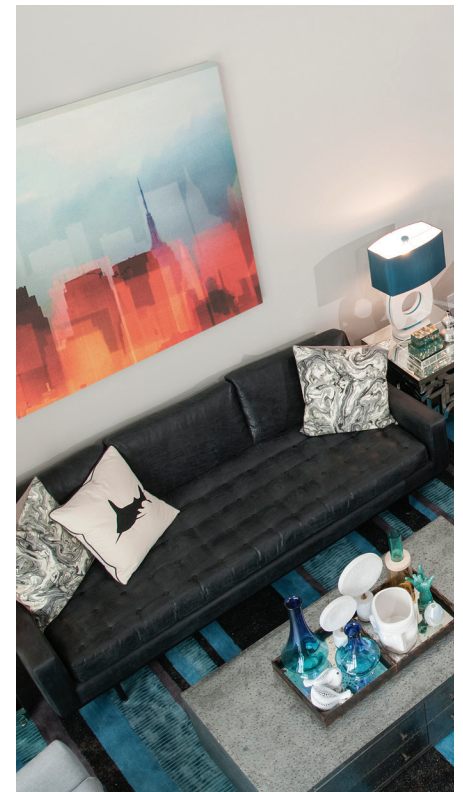


Improved Capital Structure

We strengthened our balance sheet, which marks another meaningful step towards a stronger overall company. We paid down \$200 million of debt and redeemed our Series A preferred stock. We also funded open-market stock repurchases and operating partnership unit redemptions to reduce our fully-diluted share count. Additionally, we entered into a new unsecured revolving credit facility for \$250 million, significantly enhancing our liquidity and financial flexibility. Finally, our Board made the difficult decision to adjust our quarterly dividend to a more sustainable level which can be supported by operating cash flow. We believe prudent capital allocation will provide us with greater opportunity to reinvest in our business, improve our portfolio, reduce operational and financial risk, and support future growth.

Enhanced Management Team & Board

A large part of our transformation this year has been in the establishment of a new executive team. In connection with my promotion to CEO in April, John Kirchmann joined the team as our new Chief Financial Officer, Anne Olson is our new General Counsel and Secretary, and Andy Martin continues as our Executive Vice President responsible for Property Operations. Additionally, Jeff Caira, a seasoned investor in the public REIT sector, was appointed Chair of the Board. Together we bring significant multifamily and public company experience to IRET, and I look forward to our partnership as we work every day to maximize value and create opportunity for the company.



New Mission, Vision, & Values

As we move through this transition, we are committed to focusing on our core business and identifying our priorities for our portfolio and operations. As a central part of this effort, we adopted a new mission statement and added a vision and core values. We reflected on our business and priorities and found that our residents are at the very heart of everything we do. Unlike many companies, our customers live with us. Every morning, over 12,000 households – over 30,000 people – wake up in an IRET home, and every day our people have thousands of interactions that define the IRET experience. Our commitment to our residents as an integrated team will drive our financial performance, our overall brand, and value for our stakeholders.

Mission:

To provide great homes - for our residents, our employees, and our investors.

This mission puts the customer and our product at the center of what we do, empowers our people to do the right thing by our residents and each other, and recognizes that, in being the best, we will achieve results for our investors.

Vision:

To be the premier provider of apartment homes in vibrant communities by focusing on integrity and serving others.

Guiding Principles:

**Do the Right Thing • Be One Team • Serve Others
Dare to Win • Embrace Change • Take Action**

We believe these enduring tenets are core in support of the mission and vision.

We are using the mission, vision, and values to guide our actions as we focus on building a sustainable and growing company. I believe the results will be powerful. I look forward to updating you next year.

I thank the entire IRET team for their hard work and dedication throughout the year, our Board of Trustees for their guidance and encouragement, and our loyal shareholders for their trust and support.

Sincerely,



Mark O. Decker, Jr.
President & CEO



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended April 30, 2017

or

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

For the transition period from _____ to _____

Commission File Number 001-35624

Investors Real Estate Trust

(Exact name of Registrant as specified in its charter)

North Dakota

(State or other jurisdiction of incorporation or organization)

45-0311232

(IRS Employer Identification No.)

1400 31st Avenue SW, Suite 60

Post Office Box 1988

Minot, ND 58702-1988

(Address of principal executive offices) (Zip code)

701-837-4738

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Shares of Beneficial Interest (*no par value*) - New York Stock Exchange
7.95% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (*no par value*) -
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
 Non-accelerated filer

Accelerated filer
 Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

The aggregate market value of the Registrant's outstanding common shares of beneficial interest held by non-affiliates of the Registrant as of October 31, 2016 was \$726,914,604 based on the last reported sale price on the New York Stock Exchange on October 31, 2016. For purposes of this calculation, the Registrant has assumed that its trustees and executive officers are affiliates.

The number of common shares of beneficial interest outstanding as of June 22, 2017, was 120,622,114.

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

Documents Incorporated by Reference: Portions of IRET's definitive Proxy Statement for its 2017 Annual Meeting of Shareholders to be held on September 19, 2017 are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) hereof.

INVESTORS REAL ESTATE TRUST

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Special Note Regarding Forward-Looking Statements

Certain statements included in this Annual Report on Form 10-K and the documents incorporated into this document by reference are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such forward-looking statements include statements about our plans and objectives, including among other things, our future financial condition, anticipated capital expenditures, anticipated distributions and our belief that we have the liquidity and capital resources necessary to meet our known obligations and to make additional real estate acquisitions and capital improvements when appropriate to enhance long term growth. Forward-looking statements are typically identified by the use of terms such as “believe,” “expect,” “intend,” “project,” “plan,” “anticipate,” “potential,” “may,” “will,” “designed,” “estimate,” “should,” “continue” and other similar expressions. These statements indicate that we have used assumptions that are subject to a number of risks and uncertainties that could cause our actual results or performance to differ materially from those projected.

Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include:

- uncertainties related to the national economy, the real estate industry in general and the economic health of the markets in which we own and operate multifamily and commercial properties, in particular the states of Minnesota and North Dakota, and other markets in which we may invest in the future;
- the economic health of our multifamily and commercial tenants;
- rental conditions in our markets, including occupancy levels and rental rates, for multifamily and commercial properties;
- our inability to renew tenants or obtain new tenants upon expiration of existing leases;
- our ability to identify and secure additional properties that meet our criteria for investment;
- our ability to complete construction and lease-up of our development projects on schedule and on budget;
- our ability to sell our non-core properties on terms that are acceptable;
- the level and volatility of prevailing market interest rates;
- changes in our operating expenses;
- financing risks, such as our inability to obtain debt or equity financing on favorable terms, or at all;
- the need to fund tenant improvements or other capital expenditures out of operating cash flow;
- our qualification as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), and the risk of changes in laws affecting REITs;
- risks associated with complying with applicable laws, including those concerning the environment and access by persons with disabilities; and
- the availability and cost of casualty insurance for losses.

Readers should carefully review our financial statements and the notes thereto, as well as the section entitled “Risk Factors” in Item 1A of this Annual Report on Form 10-K and the other documents we file from time to time with the Securities and Exchange Commission (“SEC”).

In light of these uncertainties, the events anticipated by our forward-looking statements might not occur. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause our actual results to differ materially from those contemplated in any forward-looking statements included in this Annual Report on Form 10-K should not be construed as exhaustive.

PART I

Item 1. Business

Overview

Investors Real Estate Trust (“we,” “us,” “IRET” or the “Company”) is a self-advised equity REIT, organized under the laws of North Dakota. Since our formation in 1970, our business has consisted of owning and operating income-producing real estate properties. We are structured as an Umbrella Partnership Real Estate Investment Trust, or UPREIT, and we conduct our day-to-day business operations through our operating partnership, IRET Properties, a North Dakota Limited Partnership (“IRET Properties” or the “Operating Partnership”). Our investments mainly consist of multifamily and healthcare properties located primarily in the Midwest states of Minnesota and North Dakota. For the fiscal year ended April 30, 2017, our real estate investments in these two states accounted for 75.4% of our total gross revenue. Our principal executive office is located in Minot, North Dakota. We also have corporate offices in Minneapolis and St. Cloud, Minnesota, and additional property management offices located in the states where we own properties.

As of April 30, 2017, we owned interests in 129 properties that were held for investment, consisting of: (1) 87 multifamily properties, containing 12,885 apartment units and having a total real estate investment amount, net of accumulated depreciation of \$1.0 billion, and (2) 42 commercial properties, including 29 healthcare properties, and office, retail and industrial properties containing a total of approximately 2.6 million net rentable square feet, and having a total real estate investment amount net of accumulated depreciation of \$309.1 million. We held for sale 13 multifamily properties consisting of 327 units, 2 healthcare properties, and 2 retail properties as of April 30, 2017.

Our multifamily leases are generally for a one-year term. Our commercial properties are typically leased to tenants under long-term lease arrangements. As of April 30, 2017, no individual tenant accounted for more than 10% of our total real estate rentals.

Structure

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

IRET Properties was organized under the laws of North Dakota pursuant to an Agreement of Limited Partnership dated January 31, 1997. IRET Properties is principally engaged in acquiring, owning, operating and leasing real estate. The sole general partner of IRET Properties is IRET, Inc., a North Dakota corporation and our wholly-owned subsidiary. All of our assets (except for qualified REIT subsidiaries) and liabilities were contributed to IRET Properties, through IRET, Inc., in exchange for the sole general partnership interest in IRET Properties. As of April 30, 2017, IRET, Inc. owned an 88.6% interest in IRET Properties. The remaining interest in IRET Properties is held by individual limited partners.

Investment Strategy

Our business objective is to increase shareholder value by employing a disciplined investment strategy. This strategy is implemented by growing income-producing multifamily assets in desired geographical markets we believe will provide a consistent return on investment for our shareholders.

We generally use available cash or our line of credit to acquire real estate. In appropriate circumstances, we also may acquire one or more properties in exchange for our common shares of beneficial interest (“common shares”) or for limited partnership units of IRET Properties (“limited partnership units” or “units”), which are redeemable, at the option of the holder, into cash or, at our sole discretion, our common shares on a one-to-one basis.

Our investment strategy focuses on multifamily properties located throughout the Midwest. In June 2016, we announced our intention to transition toward becoming a pure play multifamily REIT and our intention to sell our remaining commercial properties, which consist primarily of healthcare properties. We operate mainly within the states of North Dakota and Minnesota, although we also own properties in Iowa, Kansas, Montana, Nebraska, South Dakota and Wisconsin.

Other Activities

Distributions to shareholders and holders of limited partnership units. One of the requirements of the Internal Revenue Code for a REIT is that it distribute 90% of its net taxable income, excluding net capital gains, to its shareholders. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. We have distributed, and intend to continue to distribute, enough of our taxable income to satisfy these requirements. Our general practice has been to make cash distributions to our common shareholders and the holders of limited partnership units of approximately 65.0% to 90.0% of our funds from operations and to use the remaining funds for capital improvements or the purchase of additional properties. Distributions to our common shareholders and unitholders in fiscal years 2017 and 2016 totaled approximately 115.0% and 68.4%, respectively, on a per share and unit basis of our funds from operations. See Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K for information regarding funds from operations.

Issuing senior securities. Depending on future interest rates and market conditions, we may issue additional preferred shares or other senior securities which would have dividend and liquidation preference over our common shares. On April 26, 2004, we issued 1,150,000 shares of 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series A preferred shares”), and on August 7, 2012, we issued 4,600,000 shares of 7.95% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series B preferred shares”). All of the outstanding Series A preferred shares were redeemed on December 2, 2016.

Borrowing money. We rely on borrowed funds in pursuing our investment objectives and goals. We access the debt market either directly or through intermediaries, when necessary, to ensure advantageous financing. We generally use fixed rate debt with terms of 5 to 10 years; however, we have increased the use of variable rate debt, including a new unsecured credit facility, as we align our debt policy to focus on balance sheet flexibility. Target leverage for property-level financings range from 50% to 70% of value with a higher leverage ratio sought when financing a joint venture project. We remain focused on deleveraging in order to help support several key measures including: improving our fixed charge and leverage ratios, freeing assets from leverage for sale purposes, and working towards a stronger, more flexible balance sheet. As of April 30, 2017, our ratio of total indebtedness to total real estate investments 45.1%.

Offering securities in exchange for property. Our organizational structure allows us to issue shares and limited partnership units of IRET Properties in exchange for real estate. The limited partnership units generally are redeemable, at the option of the holder, for cash, or, at our option, common shares on a one-for-one basis. Generally, limited partnership units receive the same per unit cash distributions as the per share dividends paid on common shares

Our Declaration of Trust, as amended (our “Declaration of Trust”), does not contain any restrictions on our ability to offer limited partnership units of IRET Properties in exchange for property. As a result, any decision to do so is vested solely in our Board of Trustees. For the three most recent fiscal years ended April 30, we have issued the following limited partnership units of IRET Properties in exchange for properties:

	<i>(in thousands)</i>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Limited partnership units issued.	—	2,559	89
Value at issuance, net of issue costs.	\$ —	\$ 18,226	\$ 800

Acquiring or repurchasing shares and units. It is our intention to invest only in real estate assets. Our Declaration of Trust does not prohibit the acquisition or repurchase of our common or preferred shares or other securities so long as such activity does not prohibit us from operating as a REIT under the Internal Revenue Code.

On December 2, 2016, we completed the redemption of all of our outstanding Preferred A Shares at a redemption price of \$25.00 per share plus any accrued but unpaid dividends through the redemption date, for an aggregate redemption price of \$29.2 million. Such shares are no longer outstanding as of such date and were delisted from trading on the New York Stock Exchange (“NYSE”).

During fiscal year 2017, our Board of Trustees authorized a share repurchase program of up to \$50.0 million worth of our common shares and/or Series B preferred shares, under which we repurchased approximately 778,000 common shares on the open market at an average price of \$5.77 per share during fiscal year 2017. We did not repurchase any of

our Series B preferred shares. Subsequent to April 30, 2017, we repurchased approximately 649,000 common shares at an average price of \$5.75 per share through June 22, 2017.

During fiscal year 2017, we redeemed for cash approximately 165,000 units held by limited partners at an average price of \$5.84 per unit. Subsequent to April 30, 2017, we redeemed approximately 409,000 units for cash at an average price of \$5.92 per unit through June 22, 2017.

Information about Segments

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

Employees

As of April 30, 2017, we had 523 employees, of which 465 were full-time and 58 were part-time.

Environmental Matters and Government Regulation

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances released at a property, and may be held liable to a governmental entity or to third parties for property damage, personal injuries and investigation and clean-up costs incurred in connection with any contamination. In addition, some environmental laws create a lien on a contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. These laws often impose liability without regard to whether the current owner was responsible for, or even knew of, the presence of such substances. It is generally our policy to obtain from independent environmental consultants a "Phase I" environmental audit (which involves visual inspection but not soil or groundwater analysis) on all properties that we seek to acquire. We do not believe that any of our properties are subject to any material environmental contamination. However, no assurances can be given that:

- a prior owner, operator or occupant of the properties we own or the properties we acquire did not create a material environmental condition not known to us, which might have been revealed by more in-depth study of the properties; and
- future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in the imposition of environmental liability upon us.

In addition to laws and regulations relating to the protection of the environment, many other laws and governmental regulations are applicable to our properties, and changes in the laws and regulations, or in their interpretation by agencies and the courts, occur frequently. Under the Americans with Disabilities Act of 1990 (the "ADA"), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. In addition, the Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment communities first occupied after March 13, 1990, to be accessible to the handicapped. Non-compliance with the ADA or the FHAA could result in the imposition of fines or an award of damages to private litigants. We believe that those of our properties to which the ADA and/or FHAA apply are substantially in compliance with present ADA and FHAA requirements.

Competition

Investing in and operating real estate is a competitive business. We compete with other owners and developers of multifamily and commercial properties to attract tenants to our properties. Ownership of competing properties is diversified among other REITs, financial institutions, individuals and public and private companies who are actively engaged in this business. Our multifamily properties compete directly with other rental apartments, as well as with condominiums and single-family homes that are available for rent or purchase in the areas in which our properties are located. Our commercial properties compete with other commercial properties for tenants. Additionally, we compete with other real estate investors, including other REITs, pension and investment funds, partnerships and investment

companies, to acquire properties. This competition affects our ability to acquire properties we want to add to our portfolio and the price we pay for acquisitions.

Corporate Governance

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

Additionally, our Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by our employees of concerns regarding accounting or auditing matters. The Audit Committee also maintains a policy requiring Audit Committee approval of all audit and non-audit services provided to us by our independent registered public accounting firm.

We will disclose any amendment to our Code of Ethics for Senior Financial officers on our website. In the event we waive compliance with the Code of Ethics or Code of Conduct by any of our trustees or officers, we will disclose such waiver in a Form 8-K.

Website and Available Information

Our internet address is www.iret.com. We make available, free of charge, through the “SEC filings” tab under the Investor Relations/Financial Reporting section of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such reports are filed with or furnished to the SEC. Current copies of our Code of Conduct; Code of Ethics for Senior Financial Officers; and Charters for the Audit, Compensation, Executive and Nominating and Governance Committees of our Board of Trustees are also available on our website under the “Corporate Governance” tab under the Investor Relations/Corporate Overview section of our website. Copies of these documents are also available to shareholders upon request addressed to the Secretary at Investors Real Estate Trust, P.O. Box 1988, Minot, North Dakota 58702-1988. Information on our website does not constitute part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

Risks Related to Our Properties and Business

Our performance and share value are subject to risks associated with the real estate industry. Our results of operations and financial condition, the value of our real estate assets, and the value of an investment in us are subject to the risks normally associated with the ownership and operation of real estate properties. These risks include, but are not limited to, the following factors which, among others, may adversely affect the income generated by our properties:

- downturns in national, regional and local economic conditions (particularly increases in unemployment);
- competition from other multifamily, healthcare and other commercial properties;
- local real estate market conditions, such as oversupply or reduction in demand for multifamily and commercial space;
- changes in interest rates and availability of attractive financing;
- declines in the economic health and financial condition of our tenants and our ability to collect rents from our tenants;

- vacancies, changes in market rental rates and the need periodically to repair, renovate and re-lease space;
- increased operating costs, including real estate taxes, state and local taxes, insurance expense, utilities, and security costs;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes and insurance and maintenance costs, which are generally not reduced when circumstances cause a reduction in revenues from a property;
- weather conditions, civil disturbances, natural disasters, cyber-attacks, any type of flu or disease-related pandemics, terrorist acts or acts of war which may result in uninsured or underinsured losses; and
- decreases in the underlying value of our real estate.

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

Our property acquisition activities subject us to various risks which could adversely affect our operating results. We have acquired in the past and intend to continue to pursue the acquisition of properties and portfolios of properties, including large portfolios that could increase our size and result in alterations to our capital structure. Our acquisition activities and their success are subject to numerous risks, including, but not limited to:

- even if we enter into an acquisition agreement for a property, it is subject to customary closing conditions, including completion of due diligence investigations, and we may be unable to complete that acquisition after making a non-refundable deposit and incurring other acquisition-related costs;
- we may be unable to obtain financing for acquisitions on favorable terms or at all;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be greater than our estimates; and
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations.

These risks could have an adverse effect on our results of operations and financial condition and the amount of cash available for payment of distributions.

Acquired properties may subject us to unknown liabilities which could adversely affect our operating results. We may acquire properties subject to liabilities without any recourse, or with only limited recourse, against prior owners or other third parties with respect to unknown liabilities. As a result, if liability were asserted against us based upon ownership of

these properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flows. Unknown liabilities with respect to acquired properties might include liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons against the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Our geographic concentration in Minnesota and North Dakota may result in losses due to our significant exposure to the effects of economic and real estate conditions in those markets. For the fiscal year ended April 30, 2017, we received approximately 75.4% of our gross revenue from properties in Minnesota and North Dakota. As a result of this concentration, we are subject to substantially greater risk than if our investments were more geographically dispersed. Specifically, we are more significantly exposed to the effects of economic and real estate conditions in those particular markets, such as building by competitors, local vacancy and rental rates and general levels of employment and economic activity. To the extent that weak economic or real estate conditions affect Minnesota and/or North Dakota more severely than other areas of the country, our financial performance could be negatively impacted.

If we are not able to renew leases or enter into new leases on favorable terms or at all as our existing leases expire, our revenue, operating results and cash flows will be reduced. We may be unable to renew leases with our existing tenants or enter into new leases with new tenants due to economic and other factors as our existing leases expire or are terminated prior to the expiration of their current terms. As a result, we could lose a significant source of revenue while remaining responsible for the payment of our obligations. In addition, even if we were able to renew existing leases or enter into new leases in a timely manner, the terms of those leases may be less favorable to us than the terms of expiring leases, because the rental rates of the renewal or new leases may be significantly lower than those of the expiring leases, or tenant installation costs, including the cost of required renovations or concessions to tenants, may be significant. If we are unable to enter into lease renewals or new leases on favorable terms or in a timely manner for all or a substantial portion of space that is subject to expiring leases, our revenue, operating results and cash flows will be adversely affected. As a result, our ability to make distributions to the holders of our shares of beneficial interest may be adversely affected. As of April 30, 2017, approximately 916 of our 13,212 apartment units, or 6.9%, were vacant. Approximately 95,000 square feet, or 7.2% of our healthcare property square footage, was vacant. As of April 30, 2017, leases covering approximately 6.8% of our healthcare properties net rentable square footage will expire in fiscal year 2018, 5.8% in fiscal year 2019, 7.6% in fiscal year 2020, 7.8% in fiscal year 2021 and 6.2% in fiscal year 2022, assuming that none of the tenants exercise future renewal options and excluding the effect of early renewals completed on existing leases.

We face potential adverse effects from commercial tenant bankruptcies or insolvencies. The bankruptcy or insolvency of our commercial tenants may adversely affect the income produced by our properties. If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy, we cannot evict the tenant solely because of such bankruptcy. A court, however, may authorize the tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant would pay in full amounts it owes us under a lease. This shortfall could adversely affect our cash flow and results of operations. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Under some circumstances, we may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is less than the agreed rental amount. Additionally, without regard to the manner in which a lease termination occurs, we are likely to incur additional costs in the form of tenant improvements and leasing commissions in our efforts to lease the space to a new tenant, as well as possibly lower rental rates reflective of declines in market rents.

Because real estate investments are generally illiquid, and various factors limit our ability to dispose of assets, we may not be able to sell properties when appropriate. Real estate investments are relatively illiquid and, therefore, we have limited ability to change our portfolio of properties quickly in response to our strategic plan and changes in economic or other conditions. In addition, the prohibitions under the federal income tax laws on REITs holding property for sale and related regulations may affect our ability to sell properties. Under certain circumstances, the Internal Revenue Code imposes certain penalties on a REIT that sells property held for less than two years and limits the number of properties it can sell in a given year. Our ability to dispose of assets may also be limited by constraints on our ability to utilize disposition proceeds to make acquisitions on financially attractive terms, and the requirement that we take additional impairment charges on certain assets. More specifically, we are required to distribute or pay tax on all capital gains generated from the sale of assets, and, in addition, a significant number of our properties were acquired using limited

partnership units of IRET Properties, our operating partnership, and are subject to certain agreements which restrict our ability to sell such properties in transactions that would create current taxable income to the former owners. As a result, we are motivated to structure the sale of these assets as tax-free exchanges. To accomplish this, we must identify attractive re-investment opportunities. These considerations impact our decisions on whether or not to dispose of certain of our assets.

The restrictive terms of indebtedness may cause acceleration of debt payments and constrain our ability to conduct certain transactions. At April 30, 2017, we and our Operating Partnership had outstanding borrowings of approximately \$794.0 million. Some of this indebtedness contains financial covenants as to fixed charge coverage ratios, maximum secured debt, maintenance of unencumbered asset value, and total debt to gross assets, among others. In addition, some covenants present new constraints as we navigate investments and dispositions with respect to our ability to invest in smaller markets, add incremental secured and recourse debt and add overall leverage. In the event that an event of default occurs, our lenders may declare borrowings under the loan agreements to be due and payable immediately, which could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt.

Our real estate assets may be subject to impairment charges. We periodically evaluate the recoverability of the carrying value of our real estate assets under accounting principles generally accepted in the United States of America (“GAAP”). Factors considered in evaluating impairment of our real estate assets held for investment include significant declines in net operating income, recurring net operating losses and other significant adverse changes in general market conditions that are considered permanent in nature. Generally, a real estate asset held for investment is not considered impaired if the estimated undiscounted future cash flows of the asset over its estimated holding period are in excess of the asset’s net book value at the balance sheet date. Assumptions used to estimate annual and residual cash flow and the estimated holding period of such assets require the judgment of management. There can be no assurance that we will not take charges in the future related to the impairment of our assets. Any future impairment charges could have a material adverse effect on our results of operations.

We face risks associated with land holdings and related activities. We hold land for future development and may in the future acquire additional land holdings. Real estate markets are highly uncertain and, as a result, the value of undeveloped land may fluctuate significantly. If there are subsequent changes in the fair value of our land holdings which we determine is less than the carrying basis of our land holdings reflected in our financial statements, we may be required to take future impairment charges which could have a material adverse effect on our results of operations.

Capital markets and economic conditions can materially affect our financial condition and results of operations, the value of our equity securities, and our ability to sustain payment of our distribution at current levels. Many factors affect the value of our equity securities and our ability to make or maintain at current levels distributions to the holders of our shares of beneficial interest, including the state of the capital markets and the economy, which in recent years have negatively affected substantially all businesses, including ours. Demand for office, industrial, and retail space has declined nationwide due to bankruptcies, downsizing, layoffs and cost cutting. The availability of credit has been and may in the future again be adversely affected by illiquid credit markets. Regulatory pressures and the burden of troubled and uncollectible loans led some lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers. If these market conditions recur, they may limit our ability and the ability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs, which may materially affect our financial condition and results of operations and the value of our equity securities. Declining rental revenues from our properties due to persistent negative economic conditions may have a material adverse effect on our ability to make distributions to the holders of our shares of beneficial interest. In fiscal years 2017 and 2016, distributions to our common shareholders and unitholders of IRET Properties in cash and common shares pursuant to our Distribution Reinvestment and Share Purchase Plan (DRIP) totaled approximately 89.8% and 107.2%, respectively, of our net cash provided by operating activities.

Inability to manage rapid growth effectively may adversely affect our operating results. We have experienced significant growth at various times in the past, principally through the acquisition of additional real estate properties. Subject to our ability to raise equity capital and issue limited partnership units of IRET Properties and identify suitable investment properties, we intend to continue our acquisition of real estate properties. Effective management of rapid growth presents challenges, including:

- the need to expand our management team and staff;
- the need to enhance internal operating systems and controls; and
- the ability to consistently achieve targeted returns on individual properties.

We may not be able to maintain similar rates of growth in the future or manage our growth effectively. Additionally, an inability to make accretive property acquisitions may adversely affect our ability to increase our net income per share. The acquisition of additional real estate properties is critical to our ability to increase our net income. If we are unable to make real estate acquisitions on terms that meet our financial and strategic objectives, whether due to market conditions, a changed competitive environment or unavailability of capital, our ability to increase our net income may be materially and adversely affected. Our failure to do so may have a material adverse effect on our financial condition and results of operations and ability to make distributions to the holders of our shares of beneficial interest.

Competition may negatively impact our earnings. We compete with many kinds of institutions, including other REITs, private partnerships, individuals, pension funds and banks, for tenants and investment opportunities. Many of these institutions are active in the markets in which we invest and have greater financial and other resources that may be used to compete against us. With respect to tenants, this competition may affect our ability to lease our properties, the price at which we are able to lease our properties and the cost of required renovations or tenant improvements. With respect to acquisition and development investment opportunities, this competition may cause us to pay higher prices for new properties than we otherwise would have paid, or may prevent us from purchasing a desired property at all.

We may be unable to successfully acquire or develop properties and expand our operations into new or existing markets. We intend to explore acquisitions or developments of properties in new and existing geographic markets. These acquisitions and developments could divert our attention from our existing properties, and we may be unable to retain key employees or attract highly qualified new employees. In addition, we may not possess familiarity with the dynamics and prevailing conditions of any new geographic markets which could adversely affect our ability to successfully expand into or operate within those markets. For example, new markets may have different insurance practices, reimbursement rates and local real estate, zoning and development regulations than those with which we are familiar. We may find ourselves more dependent on third parties in new markets because our distance could hinder our ability to directly and efficiently manage and otherwise monitor new properties in new markets. Our expansion into new markets could result in unexpected costs or delays as well as lower occupancy rates and other adverse consequences. We may not be successful in identifying suitable properties or other assets which meet our acquisition or development criteria or in consummating acquisitions or developments on satisfactory terms or at all for a number of reasons, including, among other things, unsatisfactory results of our due diligence investigations, failure to obtain financing for the acquisition or development on favorable terms or at all, and our misjudgment of the value of the opportunities. We may also be unable to successfully integrate the operations of acquired properties, maintain consistent standards, controls, policies and procedures, or realize the anticipated benefits of the acquisitions within the anticipated timeframe or at all. If we are unsuccessful in expanding into new or our existing markets, it could adversely affect our business, financial condition and results of operations, our ability to make distributions to our shareholders and the trading price of our common shares.

High leverage on our overall portfolio may result in losses. The amount of leverage on our overall portfolio may expose us to cash flow problems if rental income decreases. Under those circumstances, in order to pay our debt obligations we might be required to sell properties at a loss or be unable to make distributions or decrease distributions to holders of our shares of beneficial interest. A failure to pay amounts due may result in a default on our obligations and the loss of the property through foreclosure. Additionally, our degree of leverage could adversely affect our ability to obtain additional financing and may have an adverse effect on the market price of our common shares.

Our inability to renew, repay or refinance our debt may result in losses. We incur a significant amount of debt in the ordinary course of our business and in connection with acquisitions of real properties. In addition, because we have a

limited ability to retain earnings as a result of the REIT distribution requirements, we will generally be required to refinance debt that matures with additional debt or equity. We are subject to the normal risks associated with debt financing, including the risks that:

- our cash flow will be insufficient to meet required payments of principal and interest;
- we will not be able to renew, refinance or repay our indebtedness when due; and
- the terms of any renewal or refinancing will be less favorable than the terms of our current indebtedness.

These risks increase when credit markets are tight. In general, when the credit markets are constrained, we may encounter resistance from lenders when we seek financing or refinancing for properties or proposed acquisitions, and the terms of such financing or refinancing are likely to be less favorable to us than the terms of our current indebtedness.

We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity, and we will need to refinance a significant portion of our outstanding debt as it matures. We cannot guarantee that any refinancing of debt with other debt will be possible on terms that are favorable or acceptable to us. If we cannot refinance, extend or pay principal payments due at maturity with the proceeds of other capital transactions, such as new equity capital, our cash flows may not be sufficient in all years to repay debt as it matures. Additionally, if we are unable to refinance our indebtedness on acceptable terms, or at all, we may be forced to dispose of one or more of our properties on disadvantageous terms, which may result in losses to us. These losses could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments or refinance the debt at maturity, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, including taking ownership of the property, all with a consequent loss of revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Internal Revenue Code.

As of April 30, 2017, approximately 8.4% of our mortgage debt, including mortgage debt on properties held for sale, is due for repayment in fiscal year 2018. As of April 30, 2017, we had approximately \$57.4 million of principal payments and approximately \$31.2 million of interest payments due in fiscal year 2018 on fixed and variable-rate mortgages secured by our real estate. Additionally, as of April 30, 2017, we had \$57.1 million outstanding and a credit limit of \$206.0 million under our multi-bank line of credit, which has a maturity date of January 31, 2021.

The cost of our indebtedness may increase. Portions of our fixed-rate indebtedness incurred for past property acquisitions come due on a periodic basis. Rising interest rates could limit our ability to refinance this existing debt when it matures, and would increase our interest costs, which could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, we have incurred, and we expect to continue to incur, indebtedness that bears interest at a variable rate. As of April 30, 2017, \$57.7 million, or approximately 8.4%, of the principal amount of our total mortgage indebtedness was subject to variable interest rates agreements, and all of our construction loan indebtedness was subject to variable interest rates. Additionally, our multi-bank line of credit bears interest at a rate based either on a margin percentage over the Lender's Base Rate, ranging from 0.6% to 1.25%, or on a margin percentage over LIBOR, ranging from 1.6% to 2.25%, based on our total leverage ratio. If short-term interest rates rise, our debt service payments on adjustable rate debt would increase, which would lower our net income and could decrease our distributions to the holders of our shares of beneficial interest.

Our current or future insurance may not protect us against possible losses. We carry comprehensive liability, fire, extended coverage and rental loss insurance with respect to our properties at levels that we believe to be adequate and comparable to coverage customarily obtained by owners of similar properties. However, the coverage limits of our current or future policies may be insufficient to cover the full cost of repair or replacement of all potential losses. Moreover, this level of coverage may not continue to be available in the future or, if available, may be available only at unacceptable cost or with unacceptable terms.

Additionally, there may be certain extraordinary losses, such as those resulting from civil unrest, terrorism or environmental contamination, that are not generally, or fully, insured against because they are either uninsurable or not economically insurable. For example, we do not currently carry insurance against losses as a result of environmental

contamination. Should an uninsured or underinsured loss occur to a property, we could be required to use our own funds for restoration or lose all or part of our investment in, and anticipated revenues from, the property. In any event, we would continue to be obligated on any mortgage indebtedness on the property. Any loss could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt.

In addition, in most cases we have to renew our insurance policies on an annual basis and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our business and financial condition and results of operations, which could cause a decline in the market value of our securities.

We have significant investments in healthcare properties and adverse trends in healthcare provider operations may negatively affect our lease revenues from these properties. We own a significant number of specialty healthcare properties. As of April 30, 2017, our real estate portfolio held for investment included 29 healthcare properties, with a total real estate investment amount, net of accumulated depreciation, of \$237.0 million, or approximately 17.7% of the total real estate investment amount, net of accumulated depreciation, of our entire real estate portfolio held for investment. Additionally, as of April 30, 2017, we held for sale two senior housing properties. The healthcare industry continues to experience changes in the demand for, and methods of delivery of, healthcare services; changes in third-party reimbursement policies; significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas; continuing pressure by private and governmental payors to reduce payments to providers of services; and increased scrutiny of billing, referral and other practices by federal and state authorities. Sources of revenue for our healthcare property tenants may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. These factors may adversely affect the economic performance of some or all of our healthcare services tenants and, in turn, our lease revenues. In addition, if we or our tenants terminate the leases for these properties, or our tenants lose their regulatory authority to operate such properties, we may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result could hinder our ability to make distributions to the holders of our shares of beneficial interest.

New federal healthcare reform laws may adversely affect the operators and tenants of our healthcare (including senior housing) properties. On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act of 2010 (the “Affordable Care Act”) and the Health Care and Education Reconciliation Act of 2010, which amends the Affordable Care Act (collectively with other subsequently enacted federal health care laws and regulations, the “Health Reform Laws”). The Health Reform Laws contain various provisions that may directly impact us or the operators and tenants of our healthcare properties. Some provisions of the Health Reform Laws may have a positive impact on our operators’ or tenants’ revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our operators or tenants by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators and tenants provide to our respective employees. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially-eligible individuals beginning in 2014, and have also permitted states to expand their Medicaid coverage to these individuals since April 1, 2010, if certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow states not to participate in the expansion—and to forego funding for the Medicaid expansion—without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants’ revenues, through new patients, but could also further strain state budgets. While the federal government paid for approximately 100% of those additional costs from 2014 to 2016, states now are expected to pay for part of those additional costs. We currently cannot predict the impact that this far-reaching, landmark legislation will have on our business and the businesses and operations of our tenants. Any loss of revenues and/or additional expenditures incurred by us or by operators and tenants of our properties as a result of the Health Care Reform

Acts could adversely affect our cash flow and results of operations and have a material adverse effect on our ability to make distributions to the holders of our shares of beneficial interest.

President Trump and leadership in Congress have publicly stated their intention to repeal and replace the Affordable Care Act. On January 20, 2017, President Trump issued an Executive Order stating that it is the administration's official policy to repeal the Affordable Care Act and instructing the Secretary of Health and Human Services and the heads of all other executive departments and agencies with authority and responsibility under the Affordable Care Act to, among other matters, delay implementation of or grant an exemption from any provision of the Affordable Care Act that would impose a fiscal burden on any state or a cost, fee, tax, penalty, or regulatory burden on individuals, families, healthcare providers, health insurers, patients, and others. We cannot predict the effect of this Executive Order on the Affordable Care Act, or whether any of these attempts to amend, modify, or repeal and replace the law will be successful.

The House passed a new healthcare bill in May 2017 repealing much of the Affordable Care Act and Senate Republicans introduced a healthcare overhaul plan in June 2017.

We cannot predict how the Affordable Care Act might be amended or modified, either through the legislative or judicial process, and how any such modification might impact our tenants' operations or the net effect of this law on us. If the operations, cash flows or financial condition of our operators and tenants are materially adversely impacted by any repeal or modification of the law, our revenue and operations may be adversely affected as well.

Our healthcare-related tenants may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us, and we could be subject to healthcare industry violations. As is typical in the healthcare industry, our tenants may become subject to claims that their services have resulted in patient injury or other adverse effects. Many of these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by these tenants may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants of our healthcare properties operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits.

We also believe that there has been, and will continue to be, an increase in governmental investigations of certain healthcare providers, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, any settlements of such proceedings or investigations in excess of insurance coverage, whether currently asserted or arising in the future, could have a material adverse effect on a tenant's financial condition. If a tenant is unable to obtain or maintain insurance coverage, if judgments are obtained or settlements reached in excess of the insurance coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforcement action or investigation, the tenant could be exposed to substantial additional liabilities, which may affect the tenant's ability to pay rent, which in turn could have a material adverse effect on our business, financial condition and results of operations, our ability to pay distributions to our shareholders and the trading price of our common shares. We could also be subject to costly government investigations or other enforcement actions which could have a material adverse effect on our business, financial condition and results of operations, our ability to pay distributions to our shareholders and the trading price of our common shares.

Adverse changes in applicable laws may affect our potential liabilities relating to our properties and operations. Increases in real estate taxes and income, service and transfer taxes cannot always be passed through to all tenants in the form of higher rents. As a result, any increase may adversely affect our cash available for distribution, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Similarly, changes in laws that increase the potential liability for environmental conditions existing on properties, that increase the restrictions on discharges or other conditions or that affect development, construction and safety requirements may result in significant unanticipated expenditures that could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. In addition, future enactment of rent control or rent stabilization laws or other laws regulating multifamily properties may reduce rental revenues or increase operating costs.

Complying with laws benefiting disabled persons or other safety regulations and requirements may affect our costs and investment strategies. Federal, state and local laws and regulations designed to improve disabled persons' access to and use of buildings, including the Americans with Disabilities Act of 1990, may require modifications to, or restrict renovations of, existing buildings. Additionally, these laws and regulations may require that structural features be added to buildings under construction. Legislation or regulations that may be adopted in the future may impose further burdens or restrictions on us with respect to improved access to, and use of these buildings by, disabled persons. Noncompliance could result in the imposition of fines by government authorities or the award of damages to private litigants. The costs of complying with these laws and regulations may be substantial, and limits or restrictions on construction, or the completion of required renovations, may limit the implementation of our investment strategy or reduce overall returns on our investments. This could have an adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Our properties are also subject to various other federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. Additionally, in the event that existing requirements change, compliance with future requirements may require significant unanticipated expenditures that may adversely affect our cash flow and results of operations.

We may be responsible for potential liabilities under environmental laws. Under various federal, state and local laws, ordinances and regulations, we, as a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, hazardous or toxic substances in, on, around or under that property. These laws may impose liability without regard to whether we knew of, or were responsible for, the presence of the hazardous or toxic substances. The presence of these substances, or the failure to properly remediate any property containing these substances, may adversely affect our ability to sell or rent the affected property or to borrow funds using the property as collateral. In arranging for the disposal or treatment of hazardous or toxic substances, we may also be liable for the costs of removal of, or remediation of, these substances at that disposal or treatment facility, whether or not we own or operate the facility. In connection with our current or former ownership (direct or indirect), operation, management, development and/or control of real properties, we may be potentially liable for removal or remediation costs with respect to hazardous or toxic substances at those properties, as well as certain other costs, including governmental fines and claims for injuries to persons and property. A finding of liability for an environmental condition as to any one or more properties could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt.

Environmental laws also govern the presence, maintenance and removal of asbestos, and require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos; notify and train those who may come into contact with asbestos; and undertake special precautions if asbestos would be disturbed during renovation or demolition of a building. Indoor air quality issues may also necessitate special investigation and remediation. These air quality issues can result from inadequate ventilation, chemical contaminants from indoor or outdoor sources, or biological contaminants such as molds, pollen, viruses and bacteria. Such asbestos or air quality remediation programs could be costly, necessitate the temporary relocation of some or all of the property's tenants or require rehabilitation of an affected property.

It is generally our policy to obtain a Phase I environmental study on each property that we seek to acquire. A Phase I environmental study generally includes a visual inspection of the property and the surrounding areas, an examination of current and historical uses of the property and the surrounding areas and a review of relevant state and federal documents, but does not involve invasive techniques such as soil and ground water sampling. If the Phase I indicates any possible environmental problems, our policy is to order a Phase II study, which involves testing the soil and ground water for actual hazardous substances. However, Phase I and Phase II environmental studies, or any other environmental studies undertaken with respect to any of our current or future properties, may not reveal the full extent of potential environmental liabilities. We currently do not carry insurance for environmental liabilities.

We may be unable to retain or attract qualified management. We are dependent upon our senior officers for essentially all aspects of our business operations. Our senior officers have experience in the specialized business segments in which we operate, and the loss of them would likely have a material adverse effect on our operations, and could adversely impact our relationships with lenders, industry personnel and potential tenants. We do not have employment contracts with any of our senior officers. As a result, any senior officer may terminate his or her relationship with us at any time,

without providing advance notice. If we fail to manage effectively a transition to new personnel, or if we fail to attract and retain qualified and experienced personnel on acceptable terms, our business and prospects could be harmed.

The level of oil and gas drilling in the Bakken Shale Formation has declined substantially from peak levels five years ago and has adversely impacted our apartments in western North Dakota. This condition could persist for an extended period of time. We have ownership interests in three apartment projects totaling 477 units in Williston, ND, the heart of the Bakken Shale Formation. The economy of Williston is significantly dependent on the oil and gas industry. During the fiscal year ended April 30, 2017, while we experienced increased occupancy compared to the prior fiscal year, it was offset by a material decrease in our rents. During the fiscal year ended April 30, 2017, we recognized impairment of \$54.2 million on our three multifamily properties and one parcel of unimproved land in Williston, ND. We also have ownership interests in 1,039 units in Minot, ND that have been impacted to a lesser extent. Oil drilling and production are impacted by factors beyond our control, including: the demand for and prices of crude oil and natural gas; environmental regulation and enforcement; producers' finding and development costs of reserves; producers' desire and ability to obtain necessary permits in a timely and economic manner; oil and natural gas field characteristics and production performance; and transportation and capacity constraints on natural gas, crude oil and natural gas liquids pipelines from the producing areas. Oil field activity could decline further in North Dakota as a result of any or all of these factors, which could have a material adverse effect on our western North Dakota properties. In addition, we have various mortgage debt on assets in western North Dakota with various operating income covenant requirements. Compliance with such covenants may be at risk if the material reductions in rents and vacancies continue. We do not believe these mortgage loans to be material to our operations, but if we are unable to comply with such covenants, we could be required to pay down such loans or seek a remedy with an escrow to relieve debt service payments.

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

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

Risks related to joint ventures may adversely affect our financial performance and results of operations. We have entered into, and may continue in the future to enter into, partnerships or joint ventures with other persons or entities. Joint venture investments involve risks that may not be present with other methods of ownership, including the possibility: that our partner might become insolvent, refuse to make capital contributions when due or otherwise fail to meet its obligations, which may result in certain liabilities to us for guarantees and other commitments; that our partner might at any time have economic or other business interests or goals that are or become inconsistent with our interests or goals; that we could become engaged in a dispute with our partner, which could require us to expend additional resources to resolve such disputes and could have an adverse impact on the operations and profitability of the joint venture; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. In addition, our ability to transfer our interest in a joint venture to a third party may be restricted. In some instances, we and/or our partner may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction. Our ability to

acquire our partner's interest may be limited if we do not have sufficient cash, available borrowing capacity or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it. Joint ventures may require us to share decision-making authority with our partners, which could limit our ability to control the properties in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval, such as the sale, acquisition or financing of a property.

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

Risks Related to Our Tax Status

We may incur tax liabilities as a consequence of failing to qualify as a REIT. Although our management believes that we are organized and have operated and are operating in such a manner to qualify as a "real estate investment trust," as that term is defined under the Internal Revenue Code, we may not in fact have operated, or may not be able to continue to operate, in a manner to qualify or remain so qualified. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations. Even a technical or inadvertent mistake could endanger our REIT status. The determination that we qualify as a REIT requires an ongoing analysis of various factual matters and circumstances, some of which may not be within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must come from certain passive sources that are itemized in the REIT tax laws, and we are prohibited from owning specified amounts of debt or equity securities of some issuers. Thus, to the extent revenues from non-qualifying sources, such as income from third-party management services, represent more than five percent of our gross income in any taxable year, we will not satisfy the 95% income test and may fail to qualify as a REIT, unless certain relief provisions contained in the Internal Revenue Code apply. Even if relief provisions apply, however, a tax would be imposed with respect to excess net income. We are also required to make distributions to the holders of our securities of at least 90% of our REIT taxable income, excluding net capital gains. The fact that we hold substantially all of our assets (except for qualified REIT subsidiaries) through IRET Properties, our operating partnership, and its subsidiaries, and our ongoing reliance on factual determinations, such as determinations related to the valuation of our assets, further complicates the application of the REIT requirements for us. Additionally, if IRET Properties or one or more of our subsidiaries is determined to be taxable as a corporation, we may fail to qualify as a REIT. Either our failure to qualify as a REIT, for any reason, or the imposition of taxes on excess net income from non-qualifying sources, could have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. Furthermore, new legislation, regulations, administrative interpretations or court decisions could change the tax laws with respect to our qualification as a REIT or the federal income tax consequences of our qualification.

If we failed to qualify as a REIT, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates, could be subject to increased state and local taxes and, unless entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost our qualification, which would likely have a material adverse effect on us, our ability to make distributions to the holders of our shares of beneficial interest and our ability to pay amounts due on our debt. This treatment would reduce funds available for investment or distributions to the holders of our securities because of the additional tax liability to us for the year or years involved. In addition, we would no longer be able to deduct, and would not be required to make, distributions to holders of our securities. To the extent that distributions to the holders of our securities had been made in anticipation of qualifying as a REIT, we might be required to borrow funds or to liquidate certain investments to pay the applicable tax.

Failure of our operating partnership to qualify as a partnership would have a material adverse effect on us. We believe that IRET Properties, our operating partnership, qualifies as a partnership for federal income tax purposes. No assurance can be given, however, that the Internal Revenue Service will not challenge its status as a partnership for federal income tax purposes or that a court would not sustain such a challenge. If the Internal Revenue Service were to be successful in treating IRET Properties as an entity that is taxable as a corporation (such as a publicly-traded partnership taxable as a corporation), we would cease to qualify as a REIT because the value of our ownership interest in IRET Properties would exceed 5% of our assets and because we would be considered to hold more than 10% of the voting securities and value of the outstanding securities of another corporation. Also, the imposition of a corporate tax on IRET Properties would reduce significantly the amount of cash available for distribution by it.

Certain provisions of our Declaration of Trust may limit a change in control and deter a takeover. In order to maintain our qualification as a REIT, our Declaration of Trust provides that any transaction that would result in our disqualification as a REIT under Section 856 of the Internal Revenue Code, including any transaction that would result in (i) a person owning in excess of the ownership limit of 9.8%, in number or value, of our outstanding shares of beneficial interest, (ii) less than 100 people owning our shares of beneficial interest, (iii) our being “closely held” within the meaning of Section 856(h) of the Internal Revenue Code, or (iv) 50% or more of the fair market value of our shares of beneficial interest being held by persons other than “United States persons,” as defined in Section 7701(a)(30) of the Internal Revenue Code, will be void ab initio. If the transaction is not void ab initio, then the shares of beneficial interest in excess of the ownership limit, that would cause us to be closely held, that would result in 50% or more of the fair market value of our shares of beneficial interest to be held by persons other than United States persons or that otherwise would result in our disqualification as a REIT, will automatically be exchanged for an equal number of excess shares, and these excess shares will be transferred to an excess share trustee for the exclusive benefit of the charitable beneficiaries named by our Board of Trustees. These limitations may have the effect of preventing a change in control or takeover of us by a third party, even if the change in control or takeover would be in the best interests of the holders of our securities.

In order to maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions. In order to maintain our REIT status, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then-prevailing market conditions are not favorable for these borrowings. To qualify as a REIT, we generally must distribute to our shareholders at least 90% of our net taxable income each year, excluding net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions made by us with respect to the calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income for that year, and any undistributed taxable income from prior periods. We intend to make distributions to our shareholders to comply with the 90% distribution requirement and to avoid the nondeductible excise tax and will rely for this purpose on distributions from our operating partnership. However, we may need short-term debt or long-term debt or proceeds from asset sales or sales of common shares to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. The inability of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status.

Complying with REIT requirements may force us to forego otherwise attractive opportunities or liquidate otherwise attractive investments. To qualify and maintain our status as a REIT, we must satisfy certain requirements with respect to the character of our assets. If we fail to comply with these requirements at the end of any quarter, we must correct

such failure within 30 days after the end of the quarter (by, possibly, selling assets notwithstanding their prospects as an investment) to avoid losing our REIT status. If we fail to comply with these requirements at the end of any quarter, and the failure exceeds a minimum threshold, we nonetheless may be able to preserve our REIT status if (a) the failure was due to reasonable cause and not to willful neglect, (b) we dispose of the assets causing the failure within six months after the last day of the quarter in which we identified the failure, (c) we file a schedule with the Internal Revenue Service describing each asset that caused the failure, and (d) we pay an additional tax of the greater of \$50,000 or the product of the highest applicable tax rate multiplied by the net income generated on those assets. As a result, compliance with the REIT requirements may require us to liquidate or forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

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

The tax imposed on REITs engaging in prohibited transactions and our agreements entered into with certain contributors of our properties may limit our ability to engage in transactions that would be treated as sales for federal income tax purposes. The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a “prohibited transaction” that is subject to a 100% penalty tax. Under current law, unless a sale of real property qualifies for a safe harbor, the question of whether the sale of a property constitutes the sale of property held primarily for sale to customers is generally a question of the facts and circumstances regarding a particular transaction. We may make sales that do not satisfy the requirements of the safe harbors or the IRS may successfully assert that one or more of our sales are prohibited transactions and, therefore we may be required to pay a penalty tax. To avert this penalty tax, we may hold some of our assets through a taxable REIT subsidiary (“TRS”). While the TRS structure would allow the economic benefits of ownership to flow to us, a TRS is subject to tax on its income at the federal and state level. In addition, we have entered into agreements with certain contributors of our properties that contain limitations on our ability to dispose of certain properties in taxable transactions. The restrictions on taxable dispositions are effective for varying periods. Such agreements may require that we make a payment to the contributor in the event that we dispose of a covered property in a taxable sale during the restriction period.

Our ownership of TRSs is limited and our transactions with TRSs will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms. A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from health care properties. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% (or 20% for taxable years beginning after December 31, 2017) of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our TRS is subject to applicable federal, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRS is and will continue to be less than 25% (or 20% beginning after December 31, 2017) of the value of our total assets (including our TRS stock and securities). Furthermore, we will monitor the value of our investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations. In addition, we will scrutinize all of our transactions with our TRS to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% (or 20%) limitation discussed above or to avoid application of the 100% excise tax discussed above.

If we lease a healthcare property to our TRS, the rent will not be qualifying income unless the manager qualifies as an “eligible independent contractors.” Rent paid by a lessee that is a “related party tenant” of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. Until its sale, we leased our Sartell,

Minnesota assisted living facility to our TRS and may in the future lease other healthcare properties to our TRS. A TRS will not be treated as a “related party tenant,” and will not be treated as directly operating a healthcare facility, which is prohibited, to the extent the TRS leases properties from us that are managed by an “eligible independent contractor.”

Among other requirements, in order to qualify as an eligible independent contractor a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we do not currently lease any healthcare properties to our TRS, if we do so in the future, there can be no assurance that these ownership levels will not be exceeded or that the manager will qualify as an “eligible independent contractor.”

We believe that the rent paid by our TRS was qualifying income for purposes of the REIT gross income tests and that our TRS qualifies to be treated as taxable REIT subsidiaries for federal income tax purposes, but there can be no assurance that the Internal Revenue Service, or the IRS, will not challenge this treatment or that a court would not sustain such a challenge. If the IRS successfully challenged this treatment, then the rents from such properties would not be qualifying income, which could have a material adverse effect on us and our qualification as a REIT.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common shares. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. In addition, a top legislative priority of the Trump administration and Congress has been significant reform of the Code, including significant changes to taxation of business entities. There is a substantial lack of clarity around both the timing and the details of any such tax reform and the impact of any potential tax reform on an investment in us. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or the market price of our common shares of beneficial interest.

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

Our distributions are not eligible for the lower tax rate on dividends except in limited situations. The tax rate applicable to qualifying corporate dividends received by shareholders taxed at individual rates is a maximum rate of 20%. This special tax rate is generally not applicable to distributions paid by a REIT, unless such distributions represent earnings on which the REIT itself had been taxed. As a result, distributions (other than capital gain distributions) paid by us to shareholders taxed at individual rates will generally be subject to the tax rates that are otherwise applicable to ordinary income. Although the earnings of a REIT that are distributed to its shareholders are still generally subject to less federal income taxation than earnings of a non-REIT C corporation that are distributed to its shareholders net of corporate-level income tax, the treatment of qualifying corporate dividends may make an investment in our securities comparatively less attractive relative to an investment in the shares of other entities which pay dividends but are not formed as REITs.

Our Board of Trustees may make changes to our major policies without approval of the holders of our shares of beneficial interest. Our operating and financial policies, including policies relating to development and acquisition of real estate, financing, growth, operations, indebtedness, capitalization and distributions, are exclusively determined by our Board of Trustees. Our Board of Trustees may amend or revoke those policies, and other policies, without advance notice to, or the approval of, the holders of our shares of beneficial interest. Accordingly, our shareholders do not control these policies, and policy changes could adversely affect our financial condition and results of operations.

Risks Related to the Purchase of our Shares of Beneficial Interest

Our future growth depends, in part, on our ability to raise additional equity capital, which will have the effect of diluting the interests of the holders of our common shares. Our future growth depends upon, among other things, our ability to raise equity capital and issue limited partnership units of IRET Properties. The issuance of additional common

shares, including the issuance of common shares in connection with redemption requests for limited partnership units, will dilute the interests of the current holders of our common shares. Additionally, sales of substantial amounts of our common or preferred shares in the public market, or substantial issuances of our common shares in connection with redemption requests for limited partnership units, or the perception that such sales or issuances might occur, could adversely affect the market price of our common shares.

We may issue additional classes or series of our shares of beneficial interest with rights and preferences that are superior to the rights and preferences of our common shares. Without the approval of the holders of our common shares, our Board of Trustees may establish additional classes or series of our shares of beneficial interest, and such classes or series may have dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights and preferences that are superior to the rights of the holders of our common shares.

Payment of distributions on our shares of beneficial interest is not guaranteed. Our Board of Trustees must approve our payment of distributions and may elect at any time, or from time to time, and for an indefinite duration, to reduce the distributions payable on our shares of beneficial interest or to not pay distributions on our shares of beneficial interest. Our Board of Trustees may reduce distributions for a variety of reasons, including, but not limited to, the following:

- operating and financial results below expectations that cannot support the current distribution payment;
- unanticipated costs or cash requirements; or
- a conclusion that the payment of distributions would cause us to breach the terms of certain agreements or contracts, such as financial ratio covenants in our debt financing documents.

Changes in market conditions could adversely affect the price of our securities. As is the case with any publicly-traded securities, certain factors outside of our control could influence the value of our common shares, Series B preferred shares and any other securities issued in the future. These conditions include, but are not limited to:

- market perception of REITs in general;
- market perception of REITs relative to other investment opportunities;
- market perception of our financial condition, performance, distributions and growth potential;
- prevailing interest rates;
- general economic and business conditions;
- government action or regulation, including changes in the tax laws; and
- relatively low trading volumes in securities of REITS.

Higher market interest rates may adversely affect the market price of our securities, and low trading volume on the NYSE may prevent the timely resale of our securities. One of the factors that investors may consider important in deciding whether to buy or sell shares of a REIT is the distribution with respect to such REIT's shares as a percentage of the price of those shares, relative to market interest rates. If market interest rates rise, prospective purchasers of REIT shares may expect a higher distribution rate in order to maintain their investment. Higher market interest rates would likely increase our borrowing costs and might decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to decline. In addition, although our common shares of beneficial interest are listed on the NYSE, the daily trading volume of our shares may be lower than the trading volume for other companies. As a result of lower trading volume, an owner of our common shares may encounter difficulty in selling our shares in a timely manner and may incur a substantial loss.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are organized as a REIT under Section 856-858 of the Internal Revenue Code and are structured as an UPREIT. We conduct the business of owning, leasing, developing and acquiring real estate properties through our Operating Partnership. These real estate investments are managed by our own employees and by third-party professional real estate management companies on our behalf.

Total Real Estate Rental Revenue

As of April 30, 2017, our real estate portfolio held for investment consisted of 87 multifamily, 29 healthcare and 13 other properties, comprising 76.9%, 17.7% and 5.4%, respectively, of our total real estate portfolio, based on the dollar amount of our original investment plus capital improvements, net of accumulated depreciation, through April 30, 2017. Gross annual rental revenue and percentages of total annual real estate rental revenue by property type for each of the three most recent fiscal years ended April 30, are as follows:

Fiscal Year Ended April 30,	<i>(in thousands)</i>						Total
	Gross Revenue						
	Multifamily	%	Healthcare	%	All Other	%	
2017	\$ 144,743	70.4 %	\$ 49,856	24.2 %	\$ 11,139	5.4 %	\$ 205,738
2016	\$ 131,149	69.7 %	\$ 45,621	24.2 %	\$ 11,550	6.1 %	\$ 188,320
2015	\$ 118,526	66.1 %	\$ 44,153	24.6 %	\$ 16,642	9.3 %	\$ 179,321

Average Effective Rent

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

As of April 30,	<i>(in dollars)</i>				
	Average Effective Rent per unit or square foot ⁽¹⁾				
	2017	2016	2015	2014	2013
Multifamily ⁽²⁾	\$ 883	\$ 844	\$ 829	\$ 783	\$ 744
Healthcare ⁽³⁾	\$ 20	\$ 20	\$ 16	\$ 17	\$ 16

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

Occupancy Rates

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

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

Segments	Same-Store Properties			All Properties		
	Fiscal Year Ended April 30,			Fiscal Year Ended April 30,		
	2017	2016	2015	2017	2016	2015
Multifamily	94.2 %	94.9 %	95.1 %	93.1 %	90.8 %	92.0 %
Healthcare	92.1 %	95.2 %	95.3 %	92.8 %	89.4 %	91.5 %

Certain Lending Requirements

In certain instances, in connection with the financing of investment properties, the lender may require, as a condition of the loan, that the properties be owned by a “single asset entity.” Accordingly, we have organized a number of wholly-owned subsidiary entities for the purpose of holding title in an entity that complies with such lending conditions. All financial statements of these subsidiaries are consolidated into our financial statements.

Management and Leasing of Our Real Estate Assets

We conduct our corporate operations from offices in Minot, North Dakota and Minneapolis and St. Cloud, Minnesota. We also have property management offices located in the states where we own properties. The day-to-day management of our properties is carried out by our own employees and in certain cases by third-party property management companies. In markets where the amount of rentable square footage we own does not justify self-management, when properties acquired have effective pre-existing property management in place, or when for other reasons particular properties are in our judgment not attractive candidates for self-management, we utilize third-party professional management companies for day-to-day management. However, all decisions relating to purchase, sale, insurance coverage, capital improvements, approval of commercial leases, annual operating budgets and major renovations are made exclusively by our employees and implemented by the third-party management companies. Generally, our management contracts are for terms of one year or less and provide for compensation ranging from 2.5% to 5.0% of gross rent collections and, typically, we may terminate these contracts upon 60 days or less notice for cause or upon the property manager’s failure to meet certain specified financial performance goals. With respect to multi-tenant commercial properties, we rely almost exclusively on third-party brokers to locate potential tenants. As compensation, brokers may receive a commission that is generally calculated as a percentage of the net rent to be paid over the term of the lease. We believe that the broker commissions paid by us conform to market and industry standards and are commercially reasonable.

Summary of Real Estate Investment Portfolio

As of April 30,	<i>(in thousands, except percentages)</i>					
	2017	%	2016	%	2015	%
Real estate investments						
Property owned	\$ 1,677,481		\$ 1,681,471		\$ 1,335,687	
Less accumulated depreciation	<u>(340,417)</u>		<u>(312,889)</u>		<u>(279,417)</u>	
	\$ 1,337,064	98.6 %	\$ 1,368,582	95.0 %	\$ 1,056,270	85.5 %
Development in progress	—	— %	51,681	3.6 %	153,994	12.4 %
Unimproved land	18,455	1.4 %	20,939	1.4 %	25,827	2.1 %
Total real estate investments	<u>\$ 1,355,519</u>	<u>100.0 %</u>	<u>\$ 1,441,202</u>	<u>100.0 %</u>	<u>\$ 1,236,091</u>	<u>100.0 %</u>

Summary of Individual Properties Owned as of April 30, 2017

The following table presents information regarding our 129 multifamily, healthcare and other properties held for investment, as well as unimproved land, development properties and properties held for sale as of April 30, 2017. We own the following interests in real estate either through our wholly-owned subsidiaries or by ownership of a controlling interest in an entity owning the real estate. We account for these interests on a consolidated basis. Additional information is included in Schedule III to our financial statements included in this Annual Report on Form 10-K.

Property Name and Location	Units	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2017
MULTIFAMILY			
71 France - Edina, MN ⁽²⁾⁽³⁾	241	\$ 72,481	90.5%
Alps Park - Rapid City, SD ⁽²⁾	71	6,151	98.6%
Arbors - S Sioux City, NE ⁽²⁾	192	9,173	97.4%
Arcata - Golden Valley, MN	165	33,218	98.2%
Ashland - Grand Forks, ND ⁽²⁾	84	8,554	95.2%
Avalon Cove - Rochester, MN	187	35,868	95.7%
Boulder Court - Eagan, MN	115	9,570	97.4%
Brookfield Village - Topeka, KS ⁽²⁾	160	8,980	96.9%
Canyon Lake - Rapid City, SD ⁽²⁾	109	6,192	95.4%
Cardinal Point - Grand Forks, ND	251	52,201	95.2%
Cascade Shores - Rochester, MN ⁽²⁾	90	18,342	97.8%
Castlerock - Billings, MT ⁽²⁾	166	7,970	91.0%
Chateau I & II - Minot, ND	104	21,192	97.1%
Cimarron Hills - Omaha, NE ⁽²⁾	234	14,882	98.7%
Colonial Villa - Burnsville, MN	239	22,955	97.1%
Colony - Lincoln, NE ⁽²⁾	232	18,465	95.7%
Commons and Landing at Southgate - Minot, ND ⁽²⁾⁽³⁾	341	54,282	94.4%
Cottage West Twin Homes - Sioux Falls, SD ⁽²⁾	50	5,285	96.0%
Cottonwood - Bismarck, ND ⁽²⁾	268	23,659	91.8%
Country Meadows - Billings, MT ⁽²⁾	133	10,026	94.0%
Crestview - Bismarck, ND ⁽²⁾	152	6,594	97.4%
Crown - Rochester, MN ⁽²⁾	48	4,127	89.6%
Crown Colony - Topeka, KS ⁽²⁾	220	14,150	95.0%
Crystal Bay - Rochester, MN	76	11,926	97.4%
Cypress Court - St. Cloud, MN ⁽²⁾⁽³⁾	196	20,656	90.8%
Dakota Commons - Williston, ND	44	4,050	97.7%
Deer Ridge - Jamestown, ND ⁽²⁾	163	24,963	92.0%
Evergreen - Isanti, MN ⁽²⁾	72	6,934	98.6%
Forest Park - Grand Forks, ND ⁽²⁾	268	14,457	95.1%
French Creek - Rochester, MN	40	4,955	100.0%
Gables Townhomes - Sioux Falls, SD ⁽²⁾	24	2,484	91.7%
Gardens - Grand Forks, ND	74	9,316	95.9%
Grand Gateway - St. Cloud, MN	116	9,723	89.7%
GrandeVille at Cascade Lake - Rochester, MN ⁽²⁾	276	56,671	73.6%
Greenfield - Omaha, NE ⁽²⁾	96	5,906	91.7%
Heritage Manor - Rochester, MN ⁽²⁾	182	10,464	95.6%
Homestead Garden - Rapid City, SD ⁽²⁾	152	15,242	99.3%
Indian Hills - Sioux City, IA	120	7,496	92.5%
Kirkwood Manor - Bismarck, ND ⁽²⁾	108	4,999	97.2%
Lakeside Village - Lincoln, NE ⁽²⁾	208	17,911	94.2%
Landmark - Grand Forks, ND	90	2,886	95.6%
Legacy - Grand Forks, ND ⁽²⁾	360	33,364	86.1%
Legacy Heights - Bismarck, ND	119	15,276	96.6%

Property Name and Location	Units	(in thousands)	
		Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2017
Mariposa - Topeka, KS ⁽²⁾	54	6,335	96.3%
Meadows - Jamestown, ND	81	6,949	96.3%
Monticello Crossings - Monticello, MN	202	30,526	87.6%
Monticello Village - Monticello, MN ⁽²⁾	60	5,206	96.7%
Northern Valley - Rochester, MN	16	873	100.0%
North Pointe - Bismarck, ND ⁽²⁾	73	5,509	94.5%
Northridge - Bismarck, ND ⁽²⁾	68	8,531	91.2%
Oakmont Estates - Sioux Falls, SD ⁽²⁾	79	6,422	97.5%
Oakwood Estates - Sioux Falls, SD ⁽²⁾	160	7,973	97.5%
Olympic Village - Billings, MT ⁽²⁾	274	15,339	86.5%
Olympik Village - Rochester, MN ⁽²⁾	140	9,592	94.3%
Oxbow Park - Sioux Falls, SD ⁽²⁾	120	7,210	95.8%
Park Meadows - Waite Park, MN ⁽²⁾	360	19,615	91.4%
Pebble Springs - Bismarck, ND ⁽²⁾	16	962	93.8%
Pinehurst - Billings, MT ⁽²⁾	21	1,177	90.5%
Plaza - Minot, ND ⁽²⁾	71	16,425	97.2%
Pointe West - Rapid City, SD ⁽²⁾	90	5,695	97.8%
Ponds at Heritage Place - Sartell, MN ⁽²⁾	58	5,384	100.0%
Prairie Winds - Sioux Falls, SD ⁽²⁾	48	2,606	91.7%
Quarry Ridge - Rochester, MN ⁽²⁾	313	34,268	93.3%
Red 20 - Minneapolis, MN ⁽²⁾	130	28,874	98.5%
Regency Park Estates - St. Cloud, MN ⁽²⁾	145	13,068	93.8%
Renaissance Heights - Williston, ND ⁽²⁾⁽³⁾	288	18,602	62.2%
Ridge Oaks - Sioux City, IA ⁽²⁾	132	7,102	97.0%
Rimrock West - Billings, MT ⁽²⁾	78	5,785	96.2%
River Ridge - Bismarck, ND	146	26,050	92.5%
Rocky Meadows - Billings, MT ⁽²⁾	98	7,851	96.9%
Rum River - Isanti, MN ⁽²⁾	72	6,014	98.6%
Sherwood - Topeka, KS ⁽²⁾	300	20,621	97.3%
Sierra Vista - Sioux Falls, SD ⁽²⁾	44	2,858	95.5%
Silver Springs - Rapid City, SD ⁽²⁾	52	3,805	94.2%
South Pointe - Minot, ND ⁽²⁾	196	15,006	90.3%
Southpoint - Grand Forks, ND	96	10,616	95.8%
Southwind - Grand Forks, ND ⁽²⁾	164	8,916	94.5%
Sunset Trail - Rochester, MN ⁽²⁾	146	16,367	92.5%
Thomasbrook - Lincoln, NE ⁽²⁾	264	15,850	97.3%
Valley Park - Grand Forks, ND ⁽²⁾	167	8,271	95.2%
Villa West - Topeka, KS ⁽²⁾	308	18,774	97.1%
Village Green - Rochester, MN	36	3,603	94.4%
West Stonehill - Waite Park, MN ⁽²⁾	312	18,724	94.2%
Westwood Park - Bismarck, ND ⁽²⁾	65	4,048	90.8%
Whispering Ridge - Omaha, NE ⁽²⁾	336	28,928	95.5%
Williston Garden - Williston, ND ⁽²⁾⁽³⁾	145	11,811	73.8%
Winchester - Rochester, MN	115	8,882	92.2%
Woodridge - Rochester, MN ⁽²⁾	110	9,522	95.5%
TOTAL MULTIFAMILY	12,885	\$ 1,260,541	93.1%

Property Name and Location	Approximate Net Rentable Square Footage	(in thousands) Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2017
HEALTHCARE			
2800 Medical Building - Minneapolis, MN ⁽²⁾	53,603	\$ 10,002	89.5%
2828 Chicago Avenue - Minneapolis, MN ⁽²⁾	56,239	17,425	100.0%
Airport Medical - Bloomington, MN ⁽¹⁾	24,218	4,729	100.0%
Billings 2300 Grant Road - Billings, MT	14,705	1,865	100.0%
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN ⁽²⁾	53,896	10,306	100.0%
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN ⁽²⁾	36,199	7,080	92.9%
Denfeld Clinic - Duluth, MN ⁽²⁾	20,512	3,099	100.0%
Eagan 1440 Duckwood Medical - Eagan, MN	17,640	2,624	100.0%
Edina 6363 France Medical - Edina, MN ⁽¹⁾	70,934	16,061	100.0%
Edina 6405 France Medical - Edina, MN ⁽¹⁾	55,478	12,568	100.0%
Edina 6517 Drew Avenue - Edina, MN	12,140	2,436	100.0%
Edina 6525 France SMC II - Edina, MN ⁽¹⁾⁽²⁾	67,409	15,668	95.1%
Edina 6545 France SMC I - Edina MN ⁽¹⁾⁽²⁾	285,262	85,201	83.1%
Fresenius - Duluth, MN	9,052	1,572	100.0%
Garden View - St. Paul, MN ⁽¹⁾	43,404	8,583	96.6%
Gateway Clinic - Sandstone, MN ⁽²⁾	12,444	1,776	100.0%
High Pointe Health Campus - Lake Elmo, MN ⁽²⁾	60,558	14,133	75.5%
Lakeside Medical Plaza - Omaha, NE	27,819	6,113	100.0%
Mariner Clinic - Superior, WI ⁽¹⁾⁽²⁾	28,928	4,104	100.0%
Minneapolis 701 25th Avenue Medical - Minneapolis, MN ⁽¹⁾	57,212	9,499	78.3%
Missoula 3050 Great Northern - Missoula, MT	14,640	1,971	100.0%
Park Dental - Brooklyn Center, MN	9,998	2,967	100.0%
Pavilion I - Duluth, MN ⁽¹⁾⁽²⁾	45,081	10,534	100.0%
Pavilion II - Duluth, MN ⁽²⁾	73,000	19,325	100.0%
PrairieCare Medical - Brooklyn Park, MN	70,756	24,457	100.0%
Ritchie Medical Plaza - St Paul, MN	52,116	13,913	86.8%
St Michael Clinic - St Michael, MN	10,796	2,883	100.0%
Trinity at Plaza 16 - Minot, ND ⁽²⁾	24,795	9,593	100.0%
Wells Clinic - Hibbing, MN ⁽²⁾	18,810	2,661	100.0%
TOTAL HEALTHCARE	1,327,644	\$ 323,148	94.1%
OTHER			
Bismarck 715 East Broadway - Bismarck, ND ⁽²⁾	22,187	\$ 2,806	100.0%
Bloomington 2000 W 94th Street - Bloomington, MN	100,850	7,552	100.0%
Dakota West Plaza - Minot, ND ⁽²⁾	16,921	615	64.7%
Lexington Commerce Center - Eagan, MN ⁽²⁾	90,260	6,906	100.0%
Minot 1400 31st Ave - Minot, ND	48,960	11,573	76.3%
Minot 2505 16th Street SW - Minot, ND	15,000	2,318	100.0%
Minot Arrowhead - Minot, ND	81,594	8,899	96.7%
Minot IPS - Minot, ND	27,698	6,368	100.0%
Minot Southgate Retail - Minot, ND	7,849	2,705	39.1%
Plaza 16 - Minot, ND ⁽²⁾	50,610	9,597	100.0%
Roseville 3075 Long Lake Road - Roseville, MN	220,557	13,099	83.7%
Urbandale 3900 106th Street - Urbandale, IA ⁽²⁾	518,161	15,555	100.0%
Woodbury 1865 Woodlane - Woodbury, MN	69,600	5,799	100.0%
TOTAL OTHER	1,270,247	\$ 93,792	95.0%
SUBTOTAL	2,610,776	\$ 1,677,481	

Property Name and Location	<i>(in thousands)</i> Investment (initial cost plus improvements less impairment)
UNIMPROVED LAND	
Badger Hills - Rochester, MN	\$ 1,389
Bismarck 4916 - Bismarck, ND	3,295
Bismarck 700 E Main - Bismarck, ND	885
Creekside Crossing - Bismarck, ND	5,005
Grand Forks - Grand Forks, ND	4,280
Isanti Unimproved - Isanti, MN	58
Minot 1525 24th Ave SW - Minot, ND	506
Rapid City Unimproved- Rapid City, SD	1,376
Renaissance Heights - Williston, ND ⁽³⁾	1,178
Urbandale - Urbandale, IA	113
Weston - Weston, WI	370
TOTAL UNIMPROVED LAND	\$ 18,455

TOTAL UNITS - MULTIFAMILY	12,885
TOTAL SQUARE FOOTAGE - COMMERCIAL	2,610,776
TOTAL REAL ESTATE HELD FOR INVESTMENT	\$ 1,695,936

Property Name and Location	Approximate Net Rentable Square Footage or Units	<i>(in thousands)</i> Investment (initial cost plus improvements less impairment)	Occupancy as of April 30, 2017
HELD FOR SALE			
4th Street 4 Plex - Minot, ND ⁽²⁾	4	\$ 130	100.0%
11th Street 3 Plex - Minot, ND ⁽²⁾	3	90	100.0%
17 South Main - Minot, ND ⁽²⁾	2,454	287	0.0%
Apartments on Main - Minot, ND ⁽²⁾	10	1,352	70.0%
Brooklyn Heights - Minot, ND ⁽²⁾	72	2,646	95.8%
Colton Heights - Minot, ND ⁽²⁾	18	1,222	94.4%
Edgewood Vista - Hermantown I, MN ⁽²⁾⁽⁴⁾	119,349	20,253	100.0%
Edgewood Vista - Hermantown II, MN ⁽⁴⁾	160,485	12,178	100.0%
Fairmont - Minot, ND ⁽²⁾	12	497	91.7%
First Avenue (Apartments) - Minot, ND ⁽⁵⁾	20	3,069	100.0%
First Avenue (Office) - Minot, ND ⁽⁵⁾	4,427	367	100.0%
Minot Southgate Wells Fargo Bank - Minot, ND	4,998	3,229	100.0%
Pines - Minot, ND ⁽²⁾	16	520	93.8%
Southview - Minot, ND ⁽²⁾	24	1,179	91.7%
Summit Park - Minot, ND ⁽²⁾	95	1,933	90.5%
Temple - Minot, ND ⁽²⁾	4	226	100.0%
Terrace Heights - Minot, ND ⁽²⁾	16	547	100.0%
Westridge - Minot, ND ⁽²⁾	33	2,334	90.9%
TOTAL REAL ESTATE HELD FOR SALE		52,059	
TOTAL UNITS	327		
TOTAL SQUARE FOOTAGE	291,713		

(1) Real estate not owned in fee; all or a portion is leased under a ground or air rights lease.

(2) Encumbered by mortgage debt.

(3) Property owned by a joint venture entity and consolidated in our financial statements. We have an approximately 52.6% ownership in 71 France, 64.1% ownership in Commons & Landing at Southgate, 86.1% ownership in Cypress Court, 86.6% ownership in Renaissance Heights, 70% ownership in Renaissance Heights Unimproved and 69.6% ownership in Williston Garden.

(4) Properties classified as discontinued operations.

(5) Single multi-use property.

Mortgages Payable and Line of Credit

As of April 30, 2017, mortgage loans on the above properties, including properties held for sale, totaled \$687.2 million. Of this amount, on April 30, 2017, \$57.7 million, or 8.4%, is represented by variable rate mortgage loans on which the future interest rate will vary based on changes in the interest rate index for each respective loan. As of April 30, 2017, we believe there are no material defaults or material compliance issues in regards to any of these mortgage loans. Principal payments due on our mortgage indebtedness are as follows:

Fiscal Year Ended April 30,	<i>(in thousands)</i>	
	Mortgage Loans on Properties	Mortgage Loans on Properties
	Held for Investment	Held for Sale
2018	\$ 40,777	\$ 16,621
2019	75,918	1,870
2020	93,678	183
2021	136,390	193
2022	87,654	993
Thereafter.....	231,023	1,943
Total.....	\$ 665,440	\$ 21,803

On January 31, 2017, our Operating Partnership entered into a credit agreement for a new unsecured, variable interest rate Line of Credit with BMO Harris Bank N.A. as lead agent bank and book runner (the “BMO Line of Credit”). The BMO Line of Credit contains a \$250 million accordion option, which exercise is subject to the satisfaction of certain conditions. However, the maximum borrowing capacity of the BMO Line of Credit is based on the value of an unencumbered asset pool (“UAP”). The UAP may not consist of less than 15 properties that meet certain eligibility criteria, and eligible properties may be added and removed from the UAP subject to the satisfaction of certain conditions. The BMO Line of Credit is guaranteed, jointly and severally, by us, the general partner of our Operating Partnership and each subsidiary that owns a UAP property. Borrowings under the BMO Line of Credit accrue interest at a rate based either on a margin percentage over the Lender’s Base Rate, ranging from 0.6% to 1.25%, or on a margin percentage over LIBOR, ranging from 1.6% to 2.25%, based on our total leverage ratio. The BMO Line of Credit has a termination date of January 31, 2021, which may be extended for an additional one year period subject to the satisfaction of certain conditions. The line also requires the payment of customary fees and contains covenants, representations, warranties and events of default customary for credit facilities of this type, including a covenant on a fiscal quarterly-end basis that the consolidated leverage ratio will not be greater than 0.60 to 1.00. Participants, as of April 30, 2017, included the following financial institutions: BMO Harris Bank N.A., KeyBank, National Association, PNC Bank, National Association, Royal Bank of Canada, U.S. Bank National Association, Associated Bank, National Association, Bank of North Dakota and Raymond James Bank, N.A.; with KeyBank, National Association and PNC Bank, National Association as syndication agents and BMO Capital Markets Corp., Keybank Capital Markets Inc. and PNC Capital Markets, LLC as joint lead arrangers and joint book runners. As of April 30, 2017, the line had a credit limit of \$206.0 million, of which \$57.1 million was drawn on the line at an interest rate of 2.74%. As of April 30, 2017, we believe we and our Operating Partnership were in compliance with the covenants contained in the BMO Line of Credit.

Future Minimum Lease Receipts

The future minimum lease receipts to be received under leases in place as of April 30, 2017 at healthcare properties held for investment, assuming that no options to renew or buy out the leases are exercised, are as follows:

<u>Fiscal Year Ended April 30,</u>	<u>(in thousands)</u> <u>Lease Payments</u>
2018	\$ 25,922
2019	24,250
2020	22,695
2021	21,386
2022	19,601
Thereafter.....	120,772
<u>Total</u>	<u>\$ 234,626</u>

Capital Expenditures

Each year we review the physical condition of each property we own. In order for our properties to remain competitive, attract new tenants and retain existing tenants, we plan for a reasonable amount of capital improvements. For the year ended April 30, 2017, excluding discontinued operations, we spent approximately \$42.3 million on capital improvements, tenant improvements and other capital expenditures.

We define recurring capital expenditures as those made on a regular or recurring basis to maintain a property's competitive position within its market, generally with a depreciable life of 5 to 12 years, but excluding (a) capital expenditures made in the year of acquisition and in subsequent periods until the property is classified as same-store (i.e., excluding capital expenditures on non-same-store properties), (b) improvements associated with the expansion or re-development of a building, (c) renovations to a building which change the underlying classification of the building or (d) capital improvements that represent the addition of something new to a property, rather than the replacement of an existing item. We believe that recurring capital expenditures is a useful measure of performance because it provides an indication of the expenses that we can expect to incur on an on-going basis. Non-recurring capital expenditures correspond to major capital expenditures for items such as roof replacements or items that result in something new being added to the property (for example, the addition of a new heating and air conditioning unit that is not replacing one previously there), generally with a depreciable life of 20 to 40 years, and include expenditures completed in the year of acquisition and in subsequent periods until the property is classified as same-store (i.e., including capital expenditures on non-same-store properties). The following table shows total and weighted average per square foot/unit recurring and non-recurring capital expenditures (excluding capital expenditures recoverable from tenants and capital expenditures at properties sold or classified as held for sale during the period), and, for our same-store healthcare segment, tenant improvements and leasing costs, for the three years ended April 30, 2017, 2016 and 2015.

	<i>(in thousands except per SF or Unit data)</i>					
	Years Ended April 30,					
	2017		2016		2015	
Amount	Cost/SF or Unit	Amount	Cost/SF or Unit	Amount	Cost/SF or Unit	
Multifamily Properties:						
Recurring capital expenditures	\$ 4,402	\$ 419	\$ 5,553	\$ 564	\$ 5,444	\$ 550
Non-recurring capital expenditures, excluding revenue generating expenditures	9,637	748	9,083	701	9,663	815
Total recurring and non-recurring capital expenditures	14,039	1,167	14,636	1,265	15,107	1,365
Revenue generating expenditures ⁽¹⁾	\$ 16,782	\$ 9,346	\$ 4,463	\$ 7,553	\$ —	\$ —

Healthcare Properties:

Non-Recoverable Capital Expenditures

Recurring capital expenditures	\$ —	\$ —	\$ —	\$ —	\$ 691	\$ 0.24
Non-recurring capital expenditures	94	0.07	77	0.05	821	0.28
Tenant improvements at same-store properties	2,566	2.19	1,073	0.83	1,427	0.50
Leasing costs at same-store properties	1,070	0.91	554	0.43	353	0.12

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

Contracts or Options to Purchase

We have granted options to purchase certain of our healthcare and industrial properties to tenants under their lease agreements. In general, these options grant the tenant the right to purchase the property at the greater of such property's appraised value or an annual compounded increase of a specified percentage of the initial cost to us. As of April 30, 2017, our properties subject to purchase options are as follows:

Property	<i>(in thousands)</i>			
	Investment Cost	Gross Rental Revenue		
		2017	2016	2015
St. Michael Clinic - St. Michael, MN	\$ 2,883	\$ 260	\$ 256	\$ 253
PrairieCare – Brooklyn Park, MN	24,457	2,487	1,564	—
Total	\$ 27,340	\$ 2,747	\$ 1,820	\$ 253

Properties by State

The following table presents, as of April 30, 2017, the total amount of property held for investment, net of accumulated depreciation, by state:

State	<i>(in thousands)</i>				% of Total
	Multifamily	Healthcare	Other	Total	
Minnesota	\$ 453,502	\$ 216,595	\$ 25,933	\$ 696,030	52.1 %
North Dakota	344,078	8,315	33,964	386,357	28.9 %
Nebraska	88,709	5,886	—	94,595	7.1 %
South Dakota	53,372	—	—	53,372	4.0 %
Kansas	49,087	—	—	49,087	3.7 %
Montana	28,991	3,404	—	32,395	2.4 %
Iowa	10,210	—	12,209	22,419	1.6 %
Wisconsin	—	2,809	—	2,809	0.2 %
Total	\$ 1,027,949	\$ 237,009	\$ 72,106	\$ 1,337,064	100.0 %

Item 3. Legal Proceedings

In the ordinary course of our operations, we become involved in litigation. At this time, we know of no material pending or threatened legal proceedings, or other proceedings contemplated by governmental authorities, that would have a material impact upon us.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Share and Distribution Data

Our common shares of beneficial interest trade on the NYSE under the symbol "IRET." The following table shows the high and low sales prices for our common shares for the periods indicated, as reported by the NYSE, and the distributions per common share and limited partnership unit declared with respect to each period.

Quarter Ended	High	Low	Distributions Declared (per share and unit)
April 30, 2017	\$ 6.61	\$ 5.67	\$ 0.07
January 31, 2017	7.20	5.81	0.13
October 31, 2016	6.67	5.67	0.13
July 31, 2016	6.63	6.01	0.13

Quarter Ended	High	Low	Distributions Declared (per share and unit)
April 30, 2016	\$ 7.48	\$ 5.97	\$ 0.13
January 31, 2016	8.39	6.24	0.13
October 31, 2015	8.16	6.51	0.13
July 31, 2015	7.44	6.93	0.13

We pay quarterly distributions to our common shareholders and unitholders, at the discretion of our Board of Trustees, based on our funds from operations, financial condition and capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as our Board of Trustees deems relevant. Since July 1, 1971, we have paid quarterly cash distributions in the months of January, April, July and October.

Shareholders

As of June 22, 2017, there were approximately 3,406 common shareholders of record.

Unregistered Sales of Shares

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

During the fiscal years ended April 30, 2017, 2016 and 2015, respectively, we issued an aggregate of 304,709, 36,156 and 471,800 unregistered common shares to limited partners of IRET Properties upon exercise of their Exchange Rights for an equal number of units. All such issuances of our common shares were exempt from registration as private placements under Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder. We have registered the resale of such common shares under the Securities Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs ⁽²⁾
February 1 - 28, 2017	—	\$ —	—	\$ 50,000,000
March 1 - 31, 2017	777,362	5.77	777,362	45,499,769
April 1 - 30, 2017	5,990	6.07	190	45,498,663
Total	783,352	\$ 5.77	777,552	

- (1) Includes 5,800 shares surrendered to us by employees in satisfaction of tax withholding obligations associated with the vesting of restricted shares.
- (2) As disclosed in our Form 10-Q for the fiscal quarter ended January 31, 2017, represents amounts outstanding under our \$50,000,000 share repurchase program, which was authorized by our Board of Trustees on December 7, 2016 and expires after a one year period

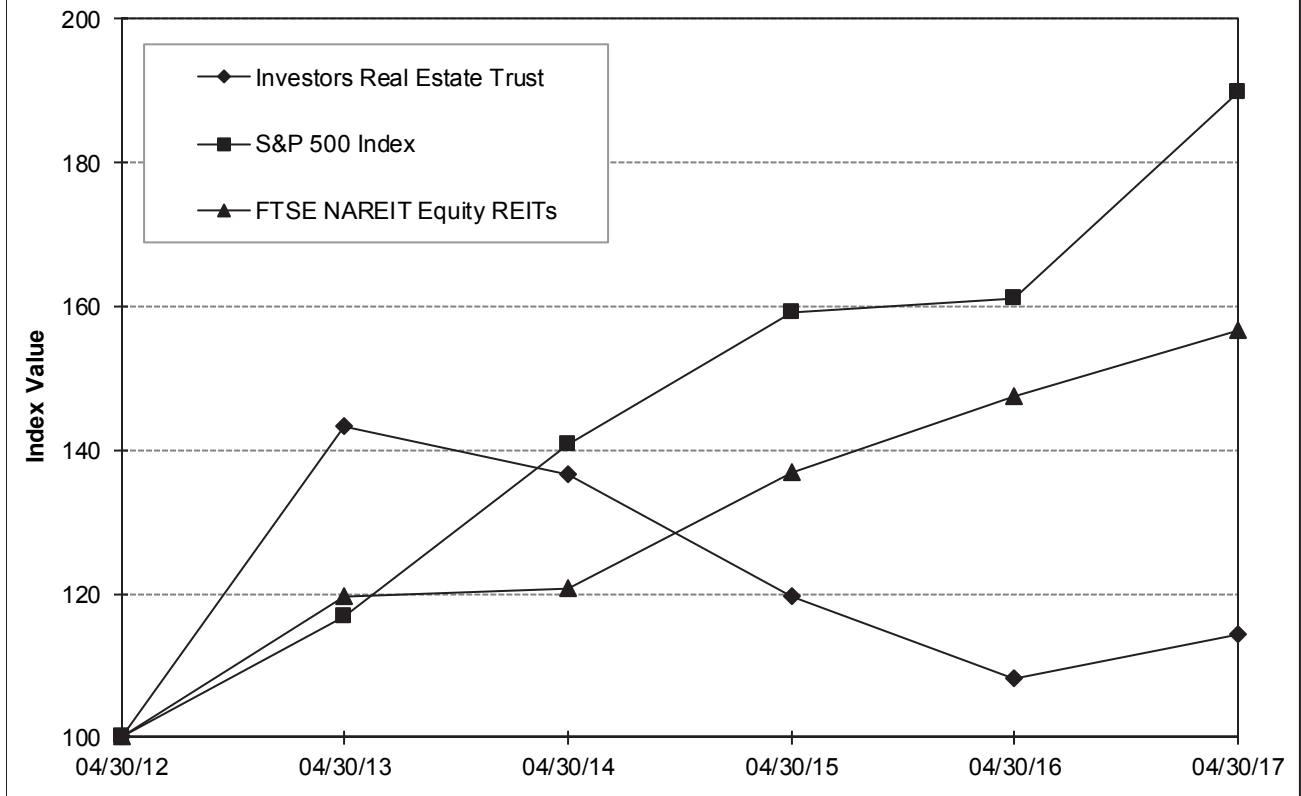
Comparative Stock Performance

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

Set forth below is a graph that compares, for the five fiscal years commencing May 1, 2012 and ending April 30, 2017, the cumulative total returns for our common shares with the comparable cumulative total return of two indexes, the Standard & Poor’s 500 Index (“S&P 500”) and the FTSE NAREIT Equity REITs Index, the latter of which is an index prepared by the FTSE Group for the National Association of Real Estate Investment Trusts, which includes all tax-qualified equity REITs listed on the NYSE and the NASDAQ Market.

The performance graph assumes that at the close of trading on April 30, 2012, the last trading day of fiscal year 2012, \$100 was invested in our common shares and in each of the indexes. The comparison assumes the reinvestment of all distributions. Cumulative total shareholder returns for our common shares, the S&P 500 and the FTSE NAREIT Equity REITs Index are based on our fiscal year ending April 30.

Total Return Performance



	FY12	FY13	FY14	FY15	FY16	FY17
Investors Real Estate Trust	100.00	143.35	136.63	119.72	108.21	114.26
S&P 500	100.00	116.89	140.78	159.05	160.97	189.81
FTSE NAREIT Equity REITs	100.00	119.55	120.59	136.74	147.49	156.67

Source: S&P Global Market Intelligence

Item 6. Selected Financial Data

Set forth below is selected financial data on a historical basis for the five most recent fiscal years ended April 30. This information should be read in conjunction with the consolidated financial statements and notes appearing elsewhere in this Annual Report on Form 10-K.

	<i>(in thousands, except per share data)</i>				
	2017	2016	2015	2014	2013
Consolidated Income Statement Data					
Revenue	\$ 205,738	\$ 188,320	\$ 179,321	\$ 164,590	\$ 149,572
Impairment of real estate investments in continuing and discontinued operations	\$ 57,028	\$ 5,983	\$ 6,105	\$ 44,426	\$ —
(Loss) gain on debt extinguishment in continuing and discontinued operations	\$ (4,889)	\$ 29,230	\$ —	\$ —	\$ —
Gain on sale of discontinued operations and real estate and other investments	\$ 74,847	\$ 33,422	\$ 6,093	\$ 6,948	\$ —
(Loss) income from continuing operations	\$ (38,150)	\$ 17,105	\$ 17,330	\$ 4,136	\$ 12,275
Income (loss) from discontinued operations	\$ 68,675	\$ 59,497	\$ 11,354	\$ (21,076)	\$ 17,697
Net income (loss)	\$ 30,525	\$ 76,602	\$ 28,684	\$ (16,940)	\$ 29,972
Net (income) loss attributable to noncontrolling interests – Operating Partnership	\$ (4,059)	\$ (7,032)	\$ (1,526)	\$ 4,676	\$ (3,633)
Net income (loss) attributable to Investors Real Estate Trust	\$ 43,347	\$ 72,006	\$ 24,087	\$ (13,174)	\$ 25,530
Consolidated Balance Sheet Data					
Total real estate investments	\$ 1,355,519	\$ 1,441,202	\$ 1,236,091	\$ 1,094,733	\$ 1,046,933
Total assets	\$ 1,474,514	\$ 1,755,022	\$ 1,992,092	\$ 1,862,990	\$ 1,882,566
Mortgages payable	\$ 661,960	\$ 812,393	\$ 592,578	\$ 600,147	\$ 633,364
Revolving lines of credit	\$ 57,050	\$ 17,500	\$ 60,500	\$ 22,500	\$ 10,000
Total Investors Real Estate Trust shareholders' equity	\$ 560,937	\$ 618,758	\$ 652,110	\$ 592,184	\$ 612,787
Consolidated Per Common Share Data <i>(basic and diluted)</i>					
Income (loss) from continuing operations – Investors Real Estate Trust	\$ (0.24)	\$ 0.06	\$ 0.02	\$ (0.06)	\$ 0.02
Income (loss) from discontinued operations – Investors Real Estate Trust	\$ 0.50	\$ 0.43	\$ 0.09	\$ (0.17)	\$ 0.15
Net income (loss)	\$ 0.26	\$ 0.49	\$ 0.11	\$ (0.23)	\$ 0.17
Distributions	\$ 0.46	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52

CALENDAR YEAR	2016	2015	2014	2013	2012
Tax status of distributions					
Capital gain	87.57 %	11.99 %	23.09 %	3.09 %	2.41 %
Ordinary income	12.43 %	36.28 %	25.74 %	28.41 %	23.17 %
Return of capital	— %	51.73 %	51.17 %	68.50 %	74.42 %

For the fiscal year ended April 30, 2017, we recognized approximately \$70 million of net capital gain for federal income tax purposes. We designate the entire \$70 million of net capital gain as capital gain dividends.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements included in this Annual Report on Form 10-K. We operate on a fiscal year ending on April 30. The following discussion and analysis is for the fiscal year ended April 30, 2017.

Overview

We are a self-advised equity REIT engaged in owning and operating income-producing real properties. Our investments include multifamily, healthcare and other properties located primarily in the Midwest states of Minnesota and North Dakota. In June 2016, we announced our intention to transition toward becoming a pure play multifamily REIT and our intention to sell our remaining commercial properties, which consist primarily of healthcare properties.

As of April 30, 2017, we held for investment 87 multifamily properties containing 12,885 apartment units and having a total real estate investment amount net of accumulated depreciation of \$1.0 billion, and 42 commercial properties, consisting of healthcare, industrial, office and retail, containing approximately 2.6 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of \$309.1 million. As of April 30, 2017, we held for sale 13 multifamily properties, consisting of 327 units, and 4 commercial properties.

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

Critical Accounting Policies

Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements included in this Annual Report on Form 10-K.

Real Estate. Real estate is carried at cost, net of accumulated depreciation, less an adjustment for impairment, if any. Depreciation requires an estimate by management of the useful life of each property as well as an allocation of the costs associated with a property to its various components. As described further below, the process of allocating property costs to its components involves a considerable amount of subjective judgments to be made by management. If we do not allocate these costs appropriately or incorrectly estimate the useful lives of our real estate, depreciation expense may be misstated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. We use a 20-40 year estimated life for buildings and improvements and a 5-12 year estimated life for furniture, fixtures and equipment. Maintenance and repairs are charged to operations as incurred. Renovations and improvements that improve and/or extend the useful life of the asset are capitalized over their estimated useful life, generally five to ten years.

Upon acquisitions of real estate, we assess the fair value of acquired tangible assets (including land, buildings and personal property), which is determined by valuing the property as if it were vacant, and consider whether there were significant intangible assets acquired (for example, above-and below-market leases, the value of acquired in-place leases and tenant relationships) and assumed liabilities, and allocate the purchase price based on these assessments. The as-if-vacant value is allocated to land, buildings and personal property based on management's determination of the relative fair value of these assets. Techniques used to estimate fair value include discounted cash flow analysis and reference to recent sales of comparable properties. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends and market/economic conditions that may affect the property. Land value is assigned based on the purchase price if land is acquired separately or based on a relative fair value allocation if acquired in a merger or in a portfolio acquisition.

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

acquisition due diligence, marketing and leasing activities in estimating the relative fair value of the tangible and intangible assets acquired.

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

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

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

We report in discontinued operations the results of operations and the related gains or losses on the sales of properties that have either been disposed of or classified as held for sale and meet the classification of a discontinued operation as described in ASC 205 - *Presentation of Financial Statements* and ASC 360 - *Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under this standard, a disposal (or classification as held for sale) of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

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

Allowance for Doubtful Accounts. We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts (approximately \$210,000 as of April 30, 2017) for estimated losses resulting from the inability of tenants to make required payments under their respective lease agreements. We also maintain an allowance for deferred rents receivable arising from the straight-lining of rents (approximately \$340,000 as of April 30, 2017). The straight-lining of rents receivable arises from earnings recognized in excess of amounts currently due under lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. If estimates differ from actual results, reported results would be impacted.

Revenue Recognition. We have the following revenue sources and revenue recognition policies:

- *Base Rents* - income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent increases and abated rent under the leases. Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments increase during the term of the lease. Rental revenue is recorded for the full term of each lease on a straight-line basis. Accordingly, we record a receivable from tenants for rents that we expect to collect over the remaining lease term as deferred rents receivable. When we acquire a property, the term of the existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Revenue recognition is considered to be critical because the evaluation of the reliability of such deferred rents receivable involves management's assumptions relating to such tenant's viability.
- *Percentage Rents* - income arising from healthcare tenant leases which are contingent upon the gross revenue of the tenant exceeding a defined threshold. These rents are recognized only after the contingency has been removed (i.e., gross revenue thresholds have been achieved).
- *Expense Reimbursement Income* – revenue arising from tenant leases, which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

Income Taxes. We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code. Under those sections, a REIT which distributes at least 90% of its REIT taxable income, excluding net capital gains, as a distribution to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We intend to distribute to our shareholders 100% of our taxable income. Therefore, no provision for Federal income taxes is required. If we fail to distribute the required amount of income to our shareholders, we would fail to qualify as a REIT and substantial adverse tax consequences may result.

We have one TRS, acquired during fiscal year 2014, which is subject to corporate federal and state income taxes on its taxable income at regular statutory rates. For fiscal year 2017, we estimate that the TRS will have no taxable income. There were no income tax provisions or material deferred income tax items for our TRS for the fiscal years ended April 30, 2017, 2016 and 2015.

Our taxable income is affected by a number of factors, including, but not limited to, the following: our tenants perform their obligations under their leases and our tax and accounting positions do not change. These factors, which impact our taxable income, are subject to change and many are outside of our control. If actual results vary, our taxable income may change.

Recent Accounting Pronouncements

For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

Fiscal 2017 Significant Events and Transactions

During fiscal year 2017, we have successfully completed the following significant transactions, including development, disposition and financing transactions, and experienced the following significant events:

Implementation of our Strategic Plan:

In June 2016, we announced our intention to transition toward becoming a pure play multifamily REIT and to sell our remaining commercial properties. During fiscal year 2017, we sold 32 of our 34 senior housing properties, 2 medical office properties, 1 retail property and 1 industrial property as part of our strategic plan.

Acquisitions, Dispositions and Development Project Placed in Service:

During fiscal year 2017, we purchased the remaining 41.41% noncontrolling interest in the joint venture entity that owns the Red 20 multifamily property for a purchase price of \$4.9 million and we added approximately 443 apartment units to our multifamily portfolio, through the placement in service of our 71 France and Monticello Crossings multifamily development projects. 71 France is owned by a joint venture entity in which we currently have an approximately 52.6% interest. The joint venture is consolidated in our financial statements.

During fiscal year 2017, we sold 1 multifamily property, 32 senior housing properties, 2 medical office properties, 1 retail property, 1 industrial property and 2 parcels of unimproved land for sales prices totaling \$286.9 million.

Share Repurchase Program:

On December 7, 2016, our Board of Trustees authorized a share repurchase program to repurchase up to \$50 million of our common shares and/or Series B preferred shares over a one year period. Under this program, we may repurchase the shares in open-market purchases including pursuant to Rule 10b5-1 plans, as determined by management and in accordance with federal securities law requirements. The extent to which we repurchase our shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by the executive management team. The program may be suspended or discontinued at any time. During the fiscal year ended April 30, 2017, we repurchased approximately 778,000 common shares through open market purchases for an aggregate total of approximately \$4.5 million.

Redemption of Series A Preferred Shares:

On September 1, 2016, our Board of Trustees authorized the redemption of all of the Series A preferred shares. On November 1, 2016, we delivered notice to holders of the Series A preferred shares that we intended to redeem all 1,150,000 Series A preferred shares at a redemption price equal to \$25.00 per share plus any accrued but unpaid distributions per share up to and including the redemption date of December 2, 2016. On December 2, 2016, we completed the redemption of the Series A preferred shares for an aggregate redemption price of \$29.2 million, and such shares are no longer deemed outstanding as of such date and were delisted from trading on the NYSE.

New Credit Agreement:

In January 2017, our Operating Partnership entered into a credit agreement for a new unsecured, variable interest rate Line of Credit with BMO Harris Bank N.A. as lead agent bank and book runner (the "BMO Line of Credit"). The BMO Line of Credit contains a \$250 million accordion option, which exercise is subject to the satisfaction of certain conditions. However, the maximum borrowing capacity of the BMO Line of Credit is based on the value of an unencumbered asset pool ("UAP"). The UAP may not consist of less than 15 properties that meet certain eligibility criteria, and eligible properties may be added and removed from the UAP subject to the satisfaction of certain conditions. The BMO Line of Credit is guaranteed, jointly and severally, by us, the general partner of our Operating Partnership and each subsidiary that owns a UAP property. Borrowings under the BMO Line of Credit accrue interest at a rate based either on a margin percentage over the Lender's Base Rate, ranging from 0.6% to 1.25%, or on a margin percentage over LIBOR, ranging from 1.6% to 2.25%, based on our total leverage ratio. The BMO Line of Credit has a termination date of January 31, 2021, which may be extended for an additional one year period subject to the satisfaction of certain conditions. The line also requires the payment of customary fees and contains covenants, representations, warranties and

events of default customary for credit facilities of this type, including a covenant on a fiscal quarterly-end basis that the consolidated leverage ratio will not be greater than 0.60 to 1.00. Participants, as of April 30, 2017, included the following financial institutions: BMO Harris Bank N.A., KeyBank, National Association, PNC Bank, National Association, Royal Bank of Canada, U.S. Bank National Association, Associated Bank, National Association, Bank of North Dakota and Raymond James Bank, N.A.; with KeyBank, National Association and PNC Bank, National Association as syndication agents and BMO Capital Markets Corp., Keybank Capital Markets Inc. and PNC Capital Markets, LLC as joint lead arrangers and joint book runners. As of April 30, 2017, the line had a credit limit of \$206.0 million, of which \$57.1 million was drawn on the line at an interest rate of 2.74%.

Adjusted the Dividend:

Our Board of Trustees adjusted the quarterly per share/unit dividend effective with the dividend paid on January 3, 2017 from \$0.13 to \$0.07.

Changes in our Executive Officers:

On August 1, 2016, Mark W. Reiling resigned as Executive Vice President and Chief Investment Officer. On August 8, 2016, the Board of Trustees appointed Mark O. Decker, Jr., as our President and Chief Investment Officer.

On April 27, 2017, Timothy P. Mihalick resigned as Chief Executive Officer and Diane K. Bryantt resigned as Executive Vice President and Chief Operating Officer. Also on April 27, 2017, Ted E. Holmes, Executive Vice President and Chief Financial Officer and Michael A. Bosh, Executive Vice President, General Counsel and Assistant Secretary, notified the Board of their intention to resign their respective positions. The Company entered into separate retention arrangements with Mr. Holmes and Mr. Bosh pursuant to which they have agreed to remain with the Company until July 31, 2017, the end of the Company's first fiscal quarter, to assist in transition matters.

On April 27, 2017, the Board of Trustees appointed Mark O. Decker, Jr., our President and Chief Investment Officer, to the additional position of Chief Executive Officer, effective immediately. On April 27, 2017, the Board of Trustees appointed John A. Kirchmann as the Company's Executive Vice President effective April 30, 2017. Mr. Kirchmann is expected to become the Company's Chief Financial Officer following the departure of Mr. Holmes. On April 27, 2017, the Board of Trustees appointed Anne Olson as the Company's Executive Vice President, General Counsel and Secretary effective April 30, 2017.

Changes in our Board of Trustees:

On June 22, 2016, trustee Stephen L. Stenehjem notified our Board of Trustees that he did not intend to stand for re-election at the Annual Shareholder Meeting on September 20, 2016. On January 20, 2017, Jeffrey K. Woodbury resigned from our Board of Trustees.

On April 27, 2017, Jeffrey L. Miller stepped down from his position Chairman of the Board of Trustees. Mr. Miller will continue as a member of the Board of Trustees. The Board of Trustees appointed Jeffrey P. Caira to succeed Mr. Miller as Chairman of the Board of Trustees, effective immediately. Also on April 27, 2017, Timothy P. Mihalick resigned as a trustee and the Board of Trustees appointed Mark O. Decker, Jr. as a trustee.

Market Conditions and Outlook

The demand for investment and institutional quality real estate in our markets is strong. Investors have abundant equity and access to debt to facilitate acquisitions and developments, though anecdotally we sense that development capital, particularly debt capital, is moderating due, in part, to heightened supply concerns among lenders. Prices and sales volumes are strong. Fundamentals are favorable across property types. The exception for us is in various North Dakota markets where energy and commodity market weakness coupled with increased supply caused us to experience elevated vacancies and offer lower rents to attract residents.

We experienced generally stable trends across most of our apartment investments during the quarter ended April 30, 2017, except in certain commodity and supply impacted markets. Our ability to maintain occupancy levels and raise rents remains dependent on continued healthy employment and wage growth. We continue to observe considerable

multifamily development activity in our markets, and as this new construction is completed, we will experience increased competition for residents. Many existing apartment owners of modestly older properties are making significant upgrades to their units and raising rents.

Our healthcare segment consists of medical office properties. The same-store healthcare segment remains stable with occupancy at 92.1%. A significant portion of our medical office portfolio is on campus and located in the Minneapolis Metropolitan Statistical Area (“MSA”) which had an 8.8% on campus vacancy rate as of the fourth calendar quarter of 2016 according to Colliers International

Same-Store and Non-Same-Store Properties

Throughout this Annual Report on Form 10-K, we have provided certain information on a same-store and non-same-store properties basis. Information provided on a same-store properties basis includes the results of properties that we have owned and operated for the entirety of both periods being compared (except for properties for which significant redevelopment or expansion occurred during either of the periods being compared and properties classified as held for sale and development or re-development properties which have not achieved a target level of occupancy of 90% for multifamily properties and 85% for commercial properties).

For the comparison of fiscal years ended April 30, 2017 and 2016, all or a portion of 52 properties were non-same-store, of which non-same-store properties 12 were redevelopment or in-service development properties. For the fiscal year 2017 to 2016 comparison, all or a portion of 18 properties were added to non-same-store, all or a portion of 8 properties were moved to same-store compared to the designations for the fiscal year 2016 to 2015 comparison and 18 non-same-store properties from the fiscal year 2016 to 2015 comparison were sold. For the comparison of fiscal years 2016 and 2015, all or a portion of 60 properties were non-same-store, of which non-same-store properties 16 were redevelopment or in-service development properties.

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

RESULTS OF OPERATIONS

Consolidated Results of Operations

The discussion that follows is based on our consolidated results of operations for the fiscal years ended April 30, 2017, 2016 and 2015.

	<i>(in thousands)</i>						
	Year Ended April 30,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	\$ Change	% Change	\$ Change	% Change
Real estate rentals	\$ 186,837	\$ 170,698	\$ 159,969	\$ 16,139	9.5 %	\$ 10,729	6.7 %
Tenant reimbursement	18,901	17,622	19,352	1,279	7.3 %	(1,730)	(8.9)%
TOTAL REVENUE	205,738	188,320	179,321	17,418	9.2 %	8,999	5.0 %
Property operating expenses, excluding real estate taxes	64,768	58,859	53,535	5,909	10.0 %	5,324	9.9 %
Real estate taxes	23,587	20,241	19,602	3,346	16.5 %	639	3.3 %
Depreciation and amortization	55,009	49,832	42,784	5,177	10.4 %	7,048	16.5 %
Impairment of real estate investments	57,028	5,543	4,663	51,485	928.8 %	880	18.9 %
General and administrative expenses	12,075	11,267	11,824	808	7.2 %	(557)	(4.7)%
Acquisition and investment related costs	3,276	830	362	2,446	294.7 %	468	129.3 %
Other expenses	3,796	2,231	1,647	1,565	70.2 %	584	35.5 %
TOTAL EXPENSES	219,539	148,803	134,417	70,736	47.5 %	14,386	10.7 %
Operating (loss) income	(13,801)	39,517	44,904	(53,318)	(135.0)%	(5,387)	(12.0)%
Interest expense	(41,127)	(35,768)	(34,447)	(5,359)	15.0 %	(1,321)	3.8 %
Loss on extinguishment of debt	(3,099)	(106)	—	(2,993)	2,823.6 %	(106)	— %
Interest income	369	81	62	288	355.6 %	19	30.6 %
Other income	807	317	718	490	154.6 %	(401)	(55.8)%
(Loss) income before gain on sale of real estate and other investments and income from discontinued operations	(56,851)	4,041	11,237	(60,892)	(1,506.9)%	(7,196)	(64.0)%
Gain on sale of real estate and other investments	18,701	9,640	6,093	9,061	94.0 %	3,547	58.2 %
Gain on bargain purchase	—	3,424	—	(3,424)	(100.0)%	3,424	— %
(Loss) income from continuing operations	(38,150)	17,105	17,330	(55,255)	(323.0)%	(225)	(1.3)%
Income from discontinued operations	68,675	59,497	11,354	9,178	15.4 %	48,143	424.0 %
NET INCOME	30,525	76,602	28,684	(46,077)	(60.2)%	47,918	167.1 %
Net (income) loss attributable to noncontrolling interests – Operating Partnership	(4,059)	(7,032)	(1,526)	2,973	(42.3)%	(5,506)	360.8 %
Net loss (income) attributable to noncontrolling interests – consolidated real estate entities	16,881	2,436	(3,071)	14,445	593.0 %	5,507	(179.3)%
Net income attributable to Investors Real Estate Trust	43,347	72,006	24,087	(28,659)	(39.8)%	47,919	198.9 %
Dividends to preferred shareholders	(10,546)	(11,514)	(11,514)	968	(8.4)%	—	— %
Redemption of Preferred Shares	(1,435)	—	—	(1,435)	— %	—	— %
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 31,366	\$ 60,492	\$ 12,573	(29,126)	(48.2)%	47,919	381.1 %

Revenues. Total revenues increased by 9.2% to \$205.7 million in fiscal year 2017, compared to \$188.3 million in fiscal year 2016. Total revenues increased by 5.0% to \$188.3 million in fiscal year 2016, compared to \$179.3 million in fiscal year 2015. These increases were primarily attributable to the addition of new income-producing real estate properties.

For fiscal year 2017, the increase in revenue of \$17.4 million resulted from:

	<i>(in thousands)</i>
Revenue primarily from properties acquired and development projects placed in service in fiscal year 2017	\$ 1,131
Increase in revenue primarily from properties acquired and development projects placed in service in fiscal year 2016	19,999
Decrease in revenue from same-store properties, excluding straight line rent ⁽¹⁾	(2,954)
Net change in straight line rent on same-store properties ⁽¹⁾	1,073
Decrease in revenue from properties sold or classified as held for sale in fiscal years 2017 and 2016	(1,831)
<u>Net increase in total revenue.</u>	<u>\$ 17,418</u>

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

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

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

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

Property operating expenses, excluding real estate taxes. Property operating expenses, excluding real estate taxes, increased by 10.0% to \$64.8 million in fiscal year 2017 compared to \$58.9 million in fiscal year 2016. \$3.5 million of the increase was attributable to non-same-store properties. Same-store properties accounted for \$2.4 million of the increase, which was primarily driven by a \$1.4 million increase in snow removal costs and other maintenance items and an increase of \$713,000 in the provision for bad debts.

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

Real Estate Taxes. Real estate taxes increased by 16.5% to \$23.6 million in fiscal year 2017 compared to \$20.2 million in fiscal year 2016. An increase of \$2.5 million was attributable to the addition of new income-producing real estate properties, while same-store properties saw an increase of approximately \$797,000 compared to the prior fiscal year.

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

Depreciation and Amortization. Depreciation and amortization increased by 10.4% to \$55.0 million in fiscal year 2017, compared to \$49.8 million in fiscal year 2016. This increase was primarily attributable to the addition of depreciable assets from acquisitions, development projects placed in service, capital improvements and tenant improvements during fiscal years 2017 and 2016.

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

Impairment of Real Estate Investments. During fiscal years 2017, 2016 and 2015, we incurred impairment losses of \$57.0 million, \$5.5 million and \$4.7 million, respectively, in continuing operations. See Note 2 to our consolidated financial statements contained in this Annual Report on Form 10-K for additional information.

General and Administrative Expenses. General and administrative expenses increased by 7.2% to \$12.1 million in fiscal year 2017, compared to \$11.3 million in fiscal year 2016. This increase is primarily a result of severance costs for departing officers and employees, net of a decrease in share based compensation expense due to forfeitures, as well as an increase in health insurance expense.

General and administrative expenses decreased by 4.7% to \$11.3 million in fiscal year 2016, compared to \$11.8 million in fiscal year 2015, primarily due to a decrease in compensation expense.

Acquisition and Investment Related Costs. Acquisition and investment related costs in fiscal years 2017, 2016 and 2015 were \$3.3 million, \$830,000 and \$362,000, respectively. The increase between years was primarily due to the write-off of development pursuit costs.

Other Expenses. Other expenses increased 70.2% to \$3.8 million in fiscal year 2017, compared to \$2.2 million in fiscal year 2016, primarily due to increased legal and consulting expenses. Other expenses increased 35.5% to \$2.2 million in fiscal year 2016, compared to \$1.6 million in fiscal year 2015, primarily due to increased legal and consulting expenses.

Interest Expense. Interest expense increased 15.0% to \$41.1 million in fiscal year 2017, compared to \$35.8 million in fiscal year 2016, primarily due to an increase in mortgage interest net of a decrease in capitalized construction interest and a decrease in interest on construction loans.

Interest expense increased 3.8% to \$35.8 million in fiscal year 2016, compared to \$34.4 million in fiscal year 2015, primarily due to an increase in mortgage interest and interest on construction loans net of a decrease in interest expense on our line of credit.

Interest Income and Other Income. We recorded interest income in fiscal years 2017, 2016 and 2015 of approximately \$369,000, \$81,000 and \$62,000, respectively. The increase in interest income from fiscal year 2016 to fiscal year 2017 was primarily due to interest earned on notes receivable from our joint venture partners.

Other income consists of real estate tax appeal refunds and other miscellaneous income. We earned other income in fiscal years 2017, 2016 and 2015 of \$807,000, \$317,000 and \$718,000, respectively. The higher amount of other income in fiscal years 2017 and 2015 was primarily due to an increase in real estate tax appeal and other refunds.

Gain on Sale of Real Estate and Other Investments. In fiscal years 2017, 2016 and 2015, we recorded gains on sale of real estate and other investments in continuing operations of \$18.7 million, \$9.6 million and \$6.1 million, respectively.

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

Income from Discontinued Operations. Income from discontinued operations in fiscal years 2017, 2016 and 2015 was \$68.7 million, \$59.5 million and \$11.4 million, respectively. We realized a gain on sale of discontinued operations for

fiscal years 2017, 2016 and 2015 of \$56.1 million, \$23.8 million and \$0, respectively. See Note 12 of the Notes to Consolidated Financial Statements in this report for further information on discontinued operations.

Occupancy

Occupancy as of April 30, 2017 compared to April 30, 2016 decreased 0.7% in our multifamily segment and decreased 3.1% in our healthcare segment on a same-store basis. Occupancy represents the actual number of units or square footage leased divided by the total number of units or square footage at the end of the period.

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

Segments	Same-Store Properties			All Properties		
	As of April 30,			As of April 30,		
	2017	2016	2015	2017	2016	2015
Multifamily	94.2 %	94.9 %	95.1 %	93.1 %	90.8 %	92.0 %
Healthcare	92.1 %	95.2 %	95.3 %	92.8 %	89.4 %	91.5 %

Net Operating Income

Net Operating Income (“NOI”) is a non-GAAP measure which we define as total real estate revenues less real estate expenses (which consist of utilities, maintenance, real estate taxes, insurance, property management expenses and other property expenses). We believe that NOI is an important supplemental measure of operating performance for a REIT’s operating real estate because it provides a measure of core operations that is unaffected by depreciation, amortization, financing and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, net income available for common shareholders or cash flow from operating activities as a measure of financial performance.

The following tables show real estate revenues, real estate operating expenses, and NOI by reportable operating segment for fiscal years 2017, 2016 and 2015. For a reconciliation of net operating income of reportable segments to net income as reported, see Note 11 to our consolidated financial statements contained in this Annual Report on Form 10-K.

The tables also show net operating income by reportable operating segment on a same-store property and non-same-store property basis. Same-store properties are properties owned or in service for the entirety of the periods being compared, and, in the case of development or re-development properties, which have achieved a target level of occupancy of 90% for multifamily properties and 85% for commercial properties. This comparison allows us to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a same-store property basis is useful to investors because it enables evaluation of how our properties are performing year over year. Management uses this measure to assess whether or not it has been successful in increasing net operating income, renewing the leases of existing tenants, controlling operating costs and appropriately handling capital improvements. The discussion below focuses on the main factors affecting real estate revenue and real estate expenses from same-store properties, since changes from one fiscal year to another in real estate revenue and expenses from non-same-store properties are due to the addition of those properties to our real estate portfolio, and accordingly provide less useful information for evaluating the ongoing operational performance of our real estate portfolio.

All Segments

The following table of selected operating data reconciles NOI to net income and provides the basis for our discussion of NOI by segment in fiscal years 2017, 2016 and 2015.

	Year Ended April 30,							
	2017 vs 2016				2016 vs 2015			
	2017	2016	\$ Change	% Change	2016	2015	\$ Change	% Change
<i>All Segments</i>								
Real estate revenue								
Same-store	\$ 157,560	\$ 159,441	\$ (1,881)	(1.2)%	\$ 153,010	\$ 153,422	\$ (412)	(0.3)%
Non-same-store ⁽¹⁾	48,178	28,879	19,299	66.8 %	35,310	25,899	9,411	36.3 %
Total	\$ 205,738	\$ 188,320	\$ 17,418	9.2 %	\$ 188,320	\$ 179,321	\$ 8,999	5.0 %
Real estate expenses								
Same-store	\$ 70,608	\$ 67,379	\$ 3,229	4.8 %	\$ 63,897	\$ 62,701	\$ 1,196	1.9 %
Non-same-store ⁽¹⁾	17,747	11,721	6,026	51.4 %	15,203	10,436	4,767	45.7 %
Total	\$ 88,355	\$ 79,100	\$ 9,255	11.7 %	\$ 79,100	\$ 73,137	\$ 5,963	8.2 %
Net operating income								
Same-store	\$ 86,952	\$ 92,062	\$ (5,110)	(5.6)%	\$ 89,113	\$ 90,721	\$ (1,608)	(1.8)%
Non-same-store ⁽¹⁾	30,431	17,158	13,273	77.4 %	20,107	15,463	4,644	30.0 %
Total	\$ 117,383	\$ 109,220	\$ 8,163	7.5 %	\$ 109,220	\$ 106,184	\$ 3,036	2.9 %
Depreciation/amortization	(55,009)	(49,832)			(49,832)	(42,784)		
Impairment of real estate investments	(57,028)	(5,543)			(5,543)	(4,663)		
General and administrative expenses	(12,075)	(11,267)			(11,267)	(11,824)		
Acquisition and investment related costs	(3,276)	(830)			(830)	(362)		
Other expenses	(3,796)	(2,231)			(2,231)	(1,647)		
Interest expense	(41,127)	(35,768)			(35,768)	(34,447)		
Loss on debt extinguishment	(3,099)	(106)			(106)	—		
Interest and other income	1,176	398			398	780		
(Loss) income before gain on sale of real estate and other investments and income from discontinued operations	(56,851)	4,041			4,041	11,237		
Gain on sale of real estate and other investments	18,701	9,640			9,640	6,093		
Gain on bargain purchase	—	3,424			3,424	—		
(Loss) income from continuing operations	(38,150)	17,105			17,105	17,330		
Income from discontinued operations ⁽²⁾	68,675	59,497			59,497	11,354		
Net income	\$ 30,525	\$ 76,602			\$ 76,602	\$ 28,684		

- (1) **Non-same-store properties consist of the following properties for the comparative periods of fiscal years 2017 and 2016 (re-development and in-service development properties are listed in bold type):**
- Held for Investment - **Multifamily** - **71 France, Edina, MN; Arcata, Golden Valley, MN; Avalon Cove, Rochester, MN; Cardinal Point, Grand Forks, ND; Cascade Shores, Rochester, MN; Chateau II, Minot, ND; Crystal Bay, Rochester, MN; Deer Ridge, Jamestown, ND; French Creek, Rochester, MN; Gardens, Grand Forks, ND; GrandeVille at Cascade Lake, Rochester, MN; Legacy Heights, Bismarck, ND; Monticello Crossings, Monticello, MN; Red 20, Minneapolis, MN and Renaissance Heights, Williston, ND.**
Total number of units, 2,374.
- Healthcare** - Edina 6525 Drew Ave, Edina, MN; **Edina 6565 France SMC III, Edina, MN;** Lakeside Medical Plaza, Omaha, NE and **PrairieCare Medical, Brooklyn Park, MN.**
Total rentable square footage, 156,211.
- Other** - **Minot Southgate Retail, Minot, ND and Roseville 3075 Long Lake Road, Roseville, MN.**
Total rentable square footage, 228,406.
- Held for Sale - **Multifamily** - 11th Street 3 Plex, Minot, ND; 4th Street 4 Plex, Minot, ND; Apartments on Main, Minot, ND; Brooklyn Heights, Minot, ND; Colton Heights, Minot, ND; Fairmont, Minot, ND; First Avenue, Minot, ND; Pines, Minot, ND; Southview, Minot, ND; Summit Park, Minot, ND; Temple, Minot, ND; Terrace Heights, Minot, ND and Westridge, Minot, ND.
Total number of units, 327.
- Other** - 17 South Main, Minot, ND; 1st Avenue Building, Minot, ND and Minot Southgate Wells Fargo Bank.
Total rentable square footage, 11,879.
- Total NOI for held for sale properties for the fiscal years ended April 30, 2017 and 2016, respectively, \$1,503 and \$1,972.
- Sold - **Multifamily** - Campus Center, St. Cloud, MN; Campus Heights, St. Cloud, MN; Campus Knoll, St. Cloud, MN; Campus Plaza, St. Cloud, MN; Campus Side, St. Cloud, MN; Campus View, St. Cloud, MN; Cornerstone, St. Cloud, MN; Pinecone Villas, Sartell, MN and University Park Place, St. Cloud, MN.
- Healthcare** - Healtheast St. John & Woodwinds, Maplewood and Woodbury, MN; Nebraska Orthopaedic Hospital, Omaha, NE and Sartell 2000 23rd St, Sartell, MN.
- Other** - Grand Forks Carmike, Grand Forks, ND; Minot Arrowhead First International, Minot, ND; Minot Plaza, Minot, ND; Stone Container,

Fargo, ND and Thresher Square, Minneapolis, MN.

Total NOI for sold properties for the fiscal years ended April 30, 2017 and 2016, respectively, \$5,586 and \$5,689.

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

Held for Investment - **Multifamily** - **71 France, Edina, MN; Arcata, Golden Valley, MN;** Avalon Cove, Rochester, MN; **Cardinal Point, Grand Forks, ND;** Cascade Shores, Rochester, MN; **Chateau II, Minot, ND; Colonial Villa, Burnsville, MN; Commons at Southgate, Minot, ND;** Crystal Bay, Rochester, MN; **Cypress Court I and II, St. Cloud, MN; Dakota Commons, Williston, ND; Deer Ridge, Jamestown, ND;** French Creek, Rochester, MN; Gardens, Grand Forks, ND; GrandeVille at Cascade Lake, Rochester, MN; Homestead Garden, Rapid City, SD; Legacy Heights, Bismarck, ND; Northridge, Bismarck, ND; **Red 20, Minneapolis, MN; Renaissance Heights, Williston, ND** and Silver Springs, Rapid City, SD.

Total number of units, 3,097.

Healthcare - **Edina 6565 France SMC III, Edina, MN;** Lakeside Medical Plaza, Omaha, NE and **PrairieCare Medical, Brooklyn Park, MN.**
Total rentable square footage, 156,199.

Other - **Minot Southgate Retail, Minot, ND; Minot Southgate Wells Fargo Bank, Minot, ND** and **Roseville 3075 Long Lake Road, Roseville, MN.**

Total rentable square footage, 233,518.

Held for Sale - **Multifamily** - Pinecone Villas, Sartell, MN.

Total number of units, 24.

Healthcare - Sartell 2000 23rd St, Sartell, MN.

Total rentable square footage, 59,760.

Other - Stone Container, Fargo, ND.

Total rentable square footage, 195,075.

Total NOI for held for sale properties for the twelve months ended April 30, 2016 and 2015, respectively, \$776 and \$830.

Sold - **Multifamily** - Campus Center, St. Cloud, MN; Campus Heights, St. Cloud, MN; Campus Knoll, St. Cloud, MN; Campus Plaza, St. Cloud, MN; Campus Side, St. Cloud, MN; Campus View, St. Cloud, MN; Cornerstone, St. Cloud, MN; Lancaster, St. Cloud, MN and University Park Place, St. Cloud, MN.

Healthcare - Jamestown Medical Office Building, Jamestown, ND and Nebraska Orthopaedic Hospital, Omaha, NE.

Other - 2030 Cliff Road, Eagan, MN; Burnsville Bluffs II, Burnsville, MN; Dewey Hill Business Center, Edina, MN; Eagan 2785 & 2795 Hwy 55, Eagan, MN; Fargo Express Community, Fargo, ND; Kalispell Retail Center, Kalispell, MT; Minot Arrowhead First International, Minot, ND; Minot Plaza, Minot, ND; Northgate I, Maple Grove, MN; Northgate II, Maple Grove, MN; Plymouth I, Plymouth, MN; Plymouth II, Plymouth, MN; Plymouth III, Plymouth, MN; Plymouth IV-V, Plymouth, MN; Southeast Tech, Eagan, MN; Thresher Square, Minneapolis, MN; Weston Retail and Walgreens, Weston, WI; Whitewater Plaza, Minnetonka, MN and Wirth Corporate Center, Golden Valley, MN.

Total NOI for sold properties for the twelve months ended April 30, 2016 and 2015, respectively, \$2,403 and \$6,308.

(3) **Discontinued operations include gain on disposals and income from operations for:**

Held for Sale at April 30, 2017: EV Hermantown I and II.

2017 Dispositions: Casper 1930 E 12th St, Casper 3955 E 12th St, Cheyenne 4010 N College Dr, Cheyenne 4606 N College Dr, Edgewood Vista ("EV") Belgrade, EV Billings, EV Bismarck, EV Brainerd, EV Columbus, EV East Grand Forks, EV Fargo, EV Fremont, EV Grand Island, EV Hastings, EV Kalispell, EV Minot, EV Missoula, EV Norfolk, EV Omaha, EV Sioux Falls, EV Spearfish, EV Virginia, Laramie 1072 N 22nd St, Legends at Heritage Place, Spring Creek ("SC") American Falls, SC Boise, SC Eagle, SC Fruitland, SC Meridian, SC Overland, SC Soda Springs and SC Ustick.

2016 Dispositions: 610 Business Center, 7800 West Brown Deer Road, American Corporate Center, Ameritrade, Barry Pointe Office Park, Benton Business Park, Brenwood, Brook Valley I, Burnsville Strip Center, Champlin South Pond, Chan West Village, Corporate Center West, Crosstown Centre, Duluth 4615 Grand, Duluth Denfeld Retail, Eden Prairie 6101 Blue Circle Drive, Farnam Executive Center, Flagship Corporate Center, Forest Lake Auto, Forest Lake Westlake Center, Gateway Corporate Center, Golden Hills Office Center, Grand Forks Medpark Mall, Granite Corporate Center, Great Plains, Highlands Ranch I and II, Interlachen Corporate Center, Intertech Building, Jamestown Buffalo Mall, Jamestown Business Center, Lakeville Strip Center, Mendota Office Center I-IV, Minnesota National Bank, Miracle Hills One, Monticello C-Store, Northpark Corporate Center, Omaha 10802 Farnam Dr, Omaha Barnes & Noble, Pacific Hills, Pine City C-Store, Pine City Evergreen Square, Plaza VII, Plymouth 5095 Nathan Lane, Prairie Oak Business Center, Rapid City 900 Concourse Drive, Riverport, Rochester Maplewood Square, Spring Valley IV, V, X and XI, St. Cloud Westgate, Superior Office Building, TCA Building, Three Paramount Plaza, Timberlands, UHC Office, US Bank Financial Center, Wells Fargo Center, West River Business Park, Westgate and Woodlands Plaza IV.

An analysis of NOI by segment follows.

Multifamily

Real estate revenue from same-store properties in our multifamily segment decreased by 1.5% or \$1.6 million in the twelve months ended April 30, 2017 compared to the same period in the prior fiscal year. A decrease of \$2.0 million was attributable to increased vacancy, primarily in our energy impacted markets of Williston, North Dakota and Minot, North Dakota. This decrease in revenue was offset by an increase of \$1.1 million that was the result of a ratio utility billings system implemented in the current year to recapture tenant utility expenses.

Real estate expenses at same-store properties increased by 2.4% or \$1.2 million in the twelve months ended April 30, 2017 compared to the same period in the prior fiscal year. The primary factors were increased administrative and maintenance expenses of \$810,000 and \$911,000, respectively, due to increased labor costs and snow removal. These increases were offset by a decrease in insurance expenses of \$267,000, due to a decrease in insurance premiums as well as a decrease in deductibles paid on insurance claims.

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

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

	Years Ended April 30							
	2017 vs 2016				2016 vs 2015			
	2017	2016	\$ Change	% Change	2016	2015	\$ Change	% Change
<i>Multifamily</i>								
Real estate revenue								
Same-store	\$ 110,019	\$ 111,644	\$ (1,625)	(1.5)%	\$ 102,694	\$ 103,238	\$ (544)	(0.5)%
Non-same-store	34,724	19,505	15,219	78.0 %	28,455	15,288	13,167	86.1 %
Total	\$ 144,743	\$ 131,149	\$ 13,594	10.4 %	\$ 131,149	\$ 118,526	\$ 12,623	10.6 %
Real estate expenses⁽¹⁾								
Same-store	\$ 48,896	\$ 47,746	\$ 1,150	2.4 %	\$ 44,226	\$ 42,414	\$ 1,812	4.3 %
Non-same-store	14,396	9,384	5,012	53.4 %	12,904	6,254	6,650	106.3 %
Total	\$ 63,292	\$ 57,130	\$ 6,162	10.8 %	\$ 57,130	\$ 48,668	\$ 8,462	17.4 %
Net operating income								
Same-store	\$ 61,123	\$ 63,898	\$ (2,775)	(4.3)%	\$ 58,468	\$ 60,824	\$ (2,356)	(3.9)%
Non-same-store	20,328	10,121	10,207	100.8 %	15,551	9,034	6,517	72.1 %
Total	\$ 81,451	\$ 74,019	\$ 7,432	10.0 %	\$ 74,019	\$ 69,858	\$ 4,161	6.0 %
Occupancy	2017	2016			2016	2015		
Same-store	94.2 %	94.9 %			94.8 %	95.1 %		
Non-same-store	88.8 %	73.7 %			78.4 %	77.1 %		
Total	93.1 %	90.8 %			90.8 %	92.0 %		
Number of Units	2017	2016			2016	2015		
Same-store	10,511	10,511			9,853	9,854		
Non-same-store	2,701	2,463			3,121	1,990		
Total	13,212	12,974			12,974	11,844		

- (1) Excludes offsite costs associated with property management and casualty-related amounts. Property management costs in fiscal 2017 increased by approximately \$1.5 million compared to fiscal year 2016 and in fiscal year 2016, increased by \$1.2 million compared to fiscal year 2015. Casualty-related costs in fiscal year 2017 increased by approximately \$176,000 compared to fiscal year 2016, and in fiscal year 2016, decreased by approximately \$310,000 compared to fiscal year 2015.

Healthcare

Real estate revenue from same-store properties in our healthcare segment was \$38.6 million in both of the fiscal years ended April 30, 2017 and 2016. Real estate expense from same-store properties increased by 5.6% or \$780,000 in the twelve months ended April 30, 2017 when compared to the same period of the prior fiscal year. The primary factors were increases in maintenance expenses of \$364,000 and real estate taxes of \$538,000.

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

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

Years Ended April 30									
	2017 vs 2016				2016 vs 2015				
	2017	2016	\$ Change	% Change	2016	2015	\$ Change	% Change	
<i>Healthcare</i>									
Real estate revenue									
Same-store	\$ 38,648	\$ 38,550	\$ 98	0.3 %	\$ 40,715	\$ 40,885	\$ (170)	(0.4)%	
Non-same-store	11,208	7,071	4,137	58.5 %	4,906	3,268	1,638	50.1 %	
Total	\$ 49,856	\$ 45,621	\$ 4,235	9.3 %	\$ 45,621	\$ 44,153	\$ 1,468	3.3 %	
Real estate expenses⁽¹⁾									
Same-store	\$ 14,672	\$ 13,892	\$ 780	5.6 %	\$ 13,965	\$ 14,226	\$ (261)	(1.8)%	
Non-same-store	1,747	1,547	200	12.9 %	1,474	1,018	456	44.8 %	
Total	\$ 16,419	\$ 15,439	\$ 980	6.3 %	\$ 15,439	\$ 15,244	\$ 195	1.3 %	
Net operating income									
Same-store	\$ 23,976	\$ 24,658	\$ (682)	(2.8)%	\$ 26,750	\$ 26,659	\$ 91	0.3 %	
Non-same-store	9,461	5,524	3,937	71.3 %	3,432	2,250	1,182	52.5 %	
Total	\$ 33,437	\$ 30,182	\$ 3,255	10.8 %	\$ 30,182	\$ 28,909	\$ 1,273	4.4 %	
Occupancy	2017	2016			2016	2015			
Same-store	92.1 %	95.2 %			95.6 %	95.3 %			
Non-same-store	98.5 %	69.1 %			52.2 %	50.8 %			
Total	92.8 %	89.4 %			89.4 %	91.5 %			
Rentable Square Footage	2017	2016			2016	2015			
Same-store	1,171,433	1,171,433			1,289,180	1,289,209			
Non-same-store	156,211	333,706			215,959	121,518			
Total	1,327,644	1,505,139			1,505,139	1,410,727			

(1) Excludes offsite costs associated with property management and casualty-related amounts, Property management costs in fiscal 2017 decreased by approximately \$73,000 compared to fiscal year 2016 and in fiscal year 2016, decreased by approximately \$350,000 compared to fiscal year 2015. There were no casualty-related costs in fiscal years 2017 and 2016. Casualty-related costs in fiscal year 2016 decreased by approximately \$62,000 compared to fiscal year 2015.

Comparison of Results from Multifamily, Healthcare and Other Properties

The following table presents an analysis of the relative investment in (corresponding to “Property owned” on the balance sheet, i.e., cost), and net operating income of, our properties over the past three fiscal years:

Fiscal Years Ended April 30	(in thousands, except percentages)					
	2017	%	2016	%	2015	%
Real Estate Investments – (cost before depreciation)						
Multifamily	\$ 1,260,541	75.1 %	\$ 1,243,909	74.0 %	\$ 946,520	70.9 %
Healthcare	323,148	19.3 %	337,920	20.1 %	284,342	21.3 %
Other	93,792	5.6 %	99,642	5.9 %	104,825	7.8 %
Total	\$ 1,677,481	100.0 %	\$ 1,681,471	100.0 %	\$ 1,335,687	100.0 %
Net Operating Income						
Multifamily	\$ 81,451	69.4 %	\$ 74,019	67.8 %	\$ 69,858	65.8 %
Healthcare	33,437	28.5 %	30,182	27.6 %	28,909	27.2 %
Other	2,495	2.1 %	5,019	4.6 %	7,417	7.0 %
Total	\$ 117,383	100.0 %	\$ 109,220	100.0 %	\$ 106,184	100.0 %

Analysis of Commercial Credit Risk and Leases

Credit Risk

The following table lists our top ten commercial tenants on April 30, 2017, for all commercial properties owned by us, including those held for sale, measured by percentage of total commercial minimum rents as of April 1, 2017. Our results of operations are dependent on, among other factors, the economic health of our tenants. We attempt to mitigate tenant credit risk by working to secure creditworthy tenants that meet our underwriting criteria and monitoring our portfolio to identify potential problem tenants. We believe that our credit risk is also mitigated by the fact that no individual tenant accounts for more than 3% of our total real estate rentals.

As of April 30, 2017, 13 of our 42 commercial properties held for investment, along with two held for sale properties, were leased under triple net leases under which the tenant pays a monthly lump sum base rent as well as all costs associated with the property, including property taxes, insurance, replacement, repair or restoration, in addition to maintenance. The failure by any of our triple net tenants to effectively conduct their operations or to maintain and improve our properties in accordance with the terms of their respective triple net leases could adversely affect their business reputations and ability to attract and retain residents and customers to our properties, which could have an indirect adverse effect on us.

We regularly monitor the relative credit risk of our significant tenants, including our triple net tenants. The metrics we use to evaluate a significant tenant's liquidity and creditworthiness depend on facts and circumstances specific to that tenant and to the industry in which it operates, and include the tenant's credit history and economic conditions related to the tenant, its operations and the markets in which it operates, that may change over time. Prior to signing a lease with a tenant, we generally assess the prospective tenant's credit quality through a review of its financial statements and tax returns, and the result of that review is a factor in establishing the rent to be charged (e.g., higher risk tenants will be charged higher rent). Over the course of a lease, our property management and asset management personnel have regular contact with tenants and tenant employees, and, where the terms of the lease permit, receive tenant financial information for periodic review, or review publicly-available financial statements, in the case of public company tenants or non-profit entities, such as hospital systems, whose financial statements are required to be filed with state agencies. Through these means we monitor tenant credit quality.

Lessee	% of Total Commercial Minimum Rents as of April 2017
Fairview Health Services	11.9 %
St. Luke's Hospital of Duluth, Inc.....	8.7 %
Affiliates of Edgewood Vista	8.5 %
PrairieCare Medical LLC	7.5 %
Quality Manufacturing Corp.	3.3 %
Children's Hospitals & Clinics	2.7 %
Allina Health	2.7 %
Noran Neurological Clinic	2.4 %
Amerada Hess	2.3 %
Obstetrics and Gynecology Assc	2.2 %
<u>All Others.....</u>	<u>47.8 %</u>
Total Monthly Commercial Rent as of April 2017	100.0 %

Healthcare Leasing Activity

The total leasing activity for our same-store healthcare properties, expressed in square feet of leases signed during the period, and the resulting occupancy levels are as follows for the years ended April 30, 2017 and 2016 respectively.

Segment	Square Feet of New Leases ⁽¹⁾		Square Feet of Leases Renewed ⁽¹⁾		Total Square Feet of Leases Executed ⁽¹⁾		Occupancy	
	2017	2016	2017	2016	2017	2016	2017	2016
Healthcare	20,001	45,446	118,076	156,543	138,077	201,989	92.1 %	95.6 %

(1) The leasing activity presented is based on leases signed or executed for our same-store rental properties during the period and is not intended to coincide with the commencement of rental revenue in accordance with GAAP. Prior periods reflect amounts previously reported and exclude retroactive adjustments for properties reclassified to discontinued operations or non-same-store in the current period.

Healthcare New Leases

The following table sets forth the average effective rents and the estimated costs of tenant improvements and leasing commissions, on a per square foot basis, that we are obligated to fulfill under the new leases signed for our same-store healthcare properties during the years ended April 30, 2017 and 2016, respectively:

Segment	Square Feet of New Leases ⁽¹⁾		Average Term in Years		Average Effective Rent ⁽²⁾		Estimated Tenant Improvement Cost per Square Foot ⁽¹⁾		Leasing Commissions per Square Foot ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Healthcare . . .	20,001	45,446	7.6	6.6	\$ 19.42	\$ 19.97	\$ 36.58	\$ 12.99	\$ 6.17	\$ 3.24

(1) The leasing activity presented is based on leases signed or executed for our same-store rental properties during the period and is not intended to coincide with the commencement of rental revenue in accordance with GAAP. Prior periods reflect amounts previously reported and exclude retroactive adjustments for properties reclassified to discontinued operations or non-same-store in the current period. Tenant improvements and leasing commissions presented are based on square feet leased during the period.

(2) Effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements. The underlying leases contain various expense structures including gross, modified gross, net and triple net.

Healthcare Lease Renewals

The following table summarizes our lease renewal activity within our same-store healthcare segment for the years ended April 30, 2017 and 2016, respectively (square feet data in thousands):

Segment	Square Feet of Leases Renewed ⁽¹⁾		Percent of Expiring Leases Renewed ⁽²⁾		Average Term in Years		Weighted Average Growth (Decline) in Effective Rents ⁽³⁾		Estimated Tenant Improvement Cost per Square Foot ⁽¹⁾		Leasing Commissions per Square Foot ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Healthcare	118,076	156,543	87.8 %	92.2 %	5.5	4.7	1.5 %	5.7 %	\$ 2.10	\$ 9.40	\$ 3.69	\$ 2.65

(1) The leasing activity presented is based on leases signed or executed for our same-store rental properties during the period and is not intended to coincide with the commencement of rental revenue in accordance with GAAP. Prior periods reflect amounts previously reported and exclude retroactive adjustments for properties reclassified to discontinued operations or non-same-store in the current period. Tenant improvements and leasing commissions are based on square feet leased during the period.

(2) Renewal percentage of expiring leases is based on square footage of renewed leases and not the number of leases renewed. The category of renewed leases does not include leases that have become month-to-month leases, as the month-to-month leases are considered lease amendments.

(3) Represents the percentage change in effective rent between the original leases and the renewal leases. Effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements. The underlying leases contain various expense structures including gross, modified gross, net and triple net.

Healthcare Lease Expirations

Our ability to maintain and improve occupancy rates and base rents primarily depends upon our continuing ability to re-lease expiring space. The following table reflects the in-service portfolio lease expiration schedule of our healthcare properties held for investment, including square footage and annualized base rent for expiring leases, as of April 30, 2017.

Fiscal Year of Lease Expiration	# of Leases	Square Footage of Expiring Leases⁽³⁾	Percentage of Total Healthcare Segment Leased Square Footage	Annualized Base Rent of Expiring Leases at Expiration⁽²⁾	Percentage of Total Healthcare Segment Annualized Base Rent
2018 ⁽¹⁾	26	96,307	7.8%	\$ 1,826,287	6.8%
2019	16	70,862	5.8%	1,551,836	5.8%
2020	16	93,521	7.6%	1,922,802	7.2%
2021	20	95,575	7.8%	2,059,840	7.7%
2022	16	75,819	6.2%	1,380,789	5.2%
2023	15	65,379	5.3%	1,239,754	4.6%
2024	29	179,460	14.6%	4,178,414	15.6%
2025	5	76,691	6.2%	1,688,381	6.3%
2026	8	84,368	6.9%	1,509,909	5.6%
2027	13	176,652	14.4%	3,797,245	14.2%
Thereafter	14	216,299	17.6%	5,656,970	21.1%
Totals	178	1,230,933	100.0%	\$ 26,812,228	100.0%

(1) Includes month-to-month leases. As of April 30, 2017, month-to-month leases accounted for 11,916 square feet.

(2) Annualized Base Rent is monthly scheduled rent as of April 1, 2017 multiplied by 12.

(3) Assuming that none of the tenants exercise renewal or termination options, and including leases renewed prior to expiration. Also excludes 1,361 square feet of space occupied by us.

Because of the dispersed locations of a substantial portion of the portfolio's properties in secondary and tertiary markets, information on current market rents is difficult to obtain, is highly subjective and is often not directly comparable between properties. As a result, we believe that the increase or decrease in effective rent on our recent leases is the most objective and meaningful information available regarding rent trends and the relationship between rents on leases expiring in the near-term and current market rents across our markets. We believe that rents on our new and renewed leases generally approximate market rents.

Property Acquisitions

We added no new real estate properties to our portfolio through property acquisitions during fiscal year 2017, compared to \$143.5 million in fiscal year 2016. The fiscal year 2016 acquisitions are detailed below.

Fiscal 2016 (May 1, 2015 to April 30, 2016)

Acquisitions	Date Acquired	Total Acquisition Cost	(in thousands)					
			Form of Consideration		Investment Allocation			
			Cash	Units ⁽¹⁾	Land	Building	Intangible Assets	
<i>Multifamily</i>								
74 unit - Gardens - Grand Forks, ND	2015-09-10	\$ 9,250	\$ 8,850	\$ 400	\$ 518	\$ 8,672	\$ 60	
276 unit - GrandeVille at Cascade Lake - Rochester, MN	2015-10-29	56,000	56,000	—	5,003	50,363	634	
187 unit - Avalon Cove - Rochester, MN ⁽²⁾	2016-03-22	36,250	15,000	17,826	1,616	34,145	489	
90 unit - Cascade Shores - Rochester, MN	2016-03-22	18,500	18,500	—	1,585	16,710	205	
76 unit - Crystal Bay - Rochester, MN	2016-03-22	12,000	12,000	—	433	11,425	142	
40-unit - French Creek - Rochester, MN	2016-03-22	5,000	5,000	—	201	4,735	64	
		137,000	115,350	18,226	9,356	126,050	1,594	
<i>Healthcare</i>								
27,819 sq ft Lakeside Medical Plaza - Omaha, NE	2015-08-20	6,500	6,500	—	903	5,109	488	
Total Property Acquisitions		\$ 143,500	\$ 121,850	\$ 18,226	\$10,259	\$131,159	\$ 2,082	

- (1) Value of limited partnership units of the Operating Partnership based on the closing market price of our common stock on the acquisition date. The number of Units issued were approximately 44,000 and 2.5 million, respectively, for the Gardens and Avalon Cove acquisitions.
- (2) Acquisition resulted in a gain on bargain purchase of approximately \$3.4 million. See Note 2 of our consolidated financial statements for additional information.

Development Projects Placed in Service

We placed approximately \$102.9 million of development projects in service during fiscal year 2017, compared to \$211.8 million in fiscal year 2016. The fiscal year 2017 and 2016 development projects placed in service are detailed below.

Fiscal 2017 (May 1, 2016 to April 30, 2017)

Development Projects Placed in Service	Date Placed in Service	(in thousands)		
		Land	Building	Development Cost
<i>Multifamily</i>				
241 unit - 71 France - Edina, MN ⁽¹⁾	2016-05-01	\$ 4,721	\$ 67,641	\$ 72,362
202 unit - Monticello Crossings - Monticello, MN ⁽²⁾	2017-03-01	1,734	28,782	30,516
Total Development Projects Placed in Service		\$ 6,455	\$ 96,423	\$ 102,878

- (1) Costs paid in prior fiscal years totaled \$70.9 million. Additional costs incurred in fiscal year 2017 totaled \$1.5 million, for a total project cost at April 30, 2017 of \$72.4 million. The project is owned by a joint venture entity in which we currently have an approximately 52.6% interest. The joint venture is consolidated in our financial statements.
- (2) Costs paid in prior fiscal years totaled \$15.5 million. Additional costs incurred in fiscal year 2017 totaled \$15.0 million, for a total project cost at April 30, 2017 of \$30.5 million.

Fiscal 2016 (May 1, 2015 to April 30, 2016)

Development Projects Placed in Service ⁽¹⁾	Date Placed in Service	<i>(in thousands)</i>		
		Land	Building	Development Cost
<i>Multifamily</i>				
72 unit - Chateau II - Minot, ND ⁽²⁾	2015-06-01	\$ 240	\$ 14,408	\$ 14,648
288 unit - Renaissance Heights - Williston, ND ⁽³⁾	2015-07-27	3,080	59,434	62,514
163 unit - Deer Ridge - Jamestown, ND ⁽⁴⁾	2016-02-22	700	24,137	24,837
251 unit - Cardinal Point - Grand Forks, ND ⁽⁵⁾	2016-03-18	1,600	48,132	49,732
		5,620	146,111	151,731
<i>Healthcare</i>				
57,624 sq ft Edina 6565 France SMC III - Edina, MN ⁽⁶⁾	2015-06-01	—	33,041	33,041
70,756 sq ft PrairieCare Medical - Brooklyn Park, MN ⁽⁷⁾	2015-09-08	2,610	21,830	24,440
		2,610	54,871	57,481
<i>Other</i>				
7,963 sq ft Minot Southgate Retail - Minot, ND ⁽⁸⁾	2015-10-01	889	1,734	2,623
Total Development Projects Placed in Service		\$ 9,119	\$ 202,716	\$ 211,835

- (1) Development projects that are placed in service in phases are excluded from this table until the entire project has been placed in service. See Note 15 for additional information on the 71 France projects which was partially placed in service during the fiscal year ended April 30, 2016.
- (2) Costs paid in prior fiscal years totaled \$12.3 million. Additional costs incurred in fiscal year 2016 totaled \$2.3 million, for a total project cost at April 30, 2016 of \$14.6 million.
- (3) Costs paid in prior fiscal years totaled \$57.7 million. Additional costs incurred in fiscal year 2016 totaled \$4.8 million, for a total project cost at April 30, 2016 of \$62.5 million. The project is owned by a joint venture entity in which we currently have an approximately 86.6% interest. The joint venture is consolidated in our financial statements.
- (4) Costs paid in prior fiscal years totaled \$14.3 million. Additional costs incurred in fiscal year 2016 totaled \$10.5 million, for a total project cost at April 30, 2016 of \$24.8 million.
- (5) Costs paid in prior fiscal years totaled \$23.0 million. Additional costs incurred in fiscal year 2016 totaled \$26.7 million, for a total project cost at April 30, 2016 of \$49.7 million.
- (6) Costs paid in prior fiscal years totaled \$20.8 million. Additional costs incurred in fiscal year 2016 totaled \$12.2 million, for a total project cost at April 30, 2016 of \$33.0 million.
- (7) Costs paid in prior fiscal years totaled \$17.3 million. Additional costs incurred in fiscal year 2016 totaled \$7.1 million, for a total project cost at April 30, 2016 of \$24.4 million.
- (8) Costs paid in prior fiscal years totaled \$2.1 million. Additional costs incurred in fiscal year 2016 totaled approximately \$500,000, for a total project cost at April 30, 2016 of \$2.6 million.

Property Dispositions

During fiscal year 2017 we sold 1 multifamily property, 32 senior housing properties, 2 medical office properties, 1 retail property, 1 industrial property and 2 parcels of unimproved land for a total sales price of \$286.9 million, compared to dispositions totaling \$536.7 million in fiscal year 2016. The fiscal year 2017 and 2016 dispositions are detailed below.

Fiscal 2017 (May 1, 2016 to April 30, 2017)

Dispositions	Date Disposed	(in thousands)		
		Sales Price	Book Value and Sales Cost	Gain/(Loss)
<i>Multifamily</i>				
24 unit Pinecone Villas - Sartell, MN	2017-04-20	\$ 3,540	\$ 2,732	\$ 808
<i>Healthcare</i>				
189,244 sq ft 9 Idaho Spring Creek Senior Housing Properties ⁽¹⁾	2016-10-31	43,900	37,397	6,503
426,652 sq ft 5 Edgewood Vista Senior Housing Properties ⁽²⁾	2017-01-18	69,928	50,393	19,535
286,854 sq ft 5 Wyoming Senior Housing Properties ⁽³⁾	2017-02-01	49,600	45,469	4,131
169,001 sq ft 9 Edgewood Vista Senior Housing Properties ⁽⁴⁾	2017-02-15	30,700	24,081	6,619
169,562 sq ft 4 Edgewood Vista Senior Housing Properties ⁽⁵⁾	2017-03-01	35,348	14,511	20,837
114,316 sq ft Healtheast St. John & Woodwinds - Maplewood & Woodbury MN	2017-03-06	20,700	13,777	6,923
59,760 sq ft Sartell 2000 23rd Street South - Sartell, MN	2017-03-31	5,600	5,923	(323)
98,174 sq ft Legends at Heritage Place - Sartell, MN	2017-04-20	9,960	11,439	(1,479)
		265,736	202,990	62,746
<i>Other</i>				
195,075 sq ft Stone Container - Fargo, ND	2016-07-25	13,400	4,418	8,982
28,528 sq ft Grand Forks Carmike - Grand Forks, ND	2016-12-29	4,000	1,563	2,437
		17,400	5,981	11,419
<i>Unimproved Land</i>				
Georgetown Square Unimproved Land - Grand Chute, WI	2016-05-06	250	274	(24)
Total Property Dispositions		\$ 286,926	\$ 211,977	\$ 74,949

- (1) The properties included in this portfolio are: Spring Creek American Falls, Spring Creek Boise, Spring Creek Eagle, Spring Creek Fruitland, Spring Creek Fruitland Unimproved, Spring Creek Meridian, Spring Creek Overland, Spring Creek Soda Springs and Spring Creek Ustick.
- (2) The properties included in this portfolio are: Edgewood Vista Bismarck, Edgewood Vista Brainerd, Edgewood Vista East Grand Forks, Edgewood Vista Fargo, and Edgewood Vista Spearfish.
- (3) The properties included in this portfolio are: Casper 1930 E 12th Street (Park Place), Casper 3955 E 12th Street (Meadow Wind), Cheyenne 4010 N College Drive (Aspen Wind), Cheyenne 4606 N College Drive (Sierra Hills) and Laramie 1072 N 22nd Street (Spring Wind).
- (4) The properties included in this portfolio are: Edgewood Vista Belgrade, Edgewood Vista Billings, Edgewood Vista Columbus, Edgewood Vista Fremont, Edgewood Vista Grand Island, Edgewood Vista Minot, Edgewood Vista Missoula, Edgewood Vista Norfolk and Edgewood Vista Sioux Falls.
- (5) The properties included in this portfolio are: Edgewood Vista Hastings, Edgewood Vista Kalispell, Edgewood Vista Omaha and Edgewood Vista Virginia.

Fiscal 2016 (May 1, 2015 to April 30, 2016)

Dispositions	Date Disposed	(in thousands)		
		Sales Price	Book Value and Sales Cost	Gain/(Loss)
<i>Multifamily</i>				
391 unit - St. Cloud Student Housing Portfolio - St. Cloud, MN	2016-03-24	\$ 5,615	\$ 5,647	\$ (32)
<i>Healthcare</i>				
61,758 sq ft Nebraska Orthopaedic Hospital - Omaha, NE	2016-04-01	24,494	16,512	7,982
<i>Other</i>				
117,144 sq ft Thresher Square – Minneapolis, MN	2015-05-18	7,000	7,175	(175)
2,549,222 sq ft Office Sale Portfolio ⁽¹⁾	2015-08-03	250,000	231,908	18,092
420,216 sq ft Mendota Office Center Portfolio – Mendota Heights, MN ⁽²⁾	2015-08-12	40,000	41,574	(1,574)
1,027,208 sq ft Retail Sale Portfolio ⁽³⁾	2015-09-30	78,960	72,000	6,960
48,700 sq ft Eden Prairie 6101 Blue Circle Drive – Eden Prairie, MN	2015-10-19	2,900	2,928	(28)
8,526 sq ft Burnsville I Strip Center – Burnsville, MN	2015-12-23	1,300	913	387
4,800 sq ft Pine City C-Store – Pine City, MN	2016-01-08	300	355	(55)
11,003 sq ft Minot Plaza – Minot, ND	2016-01-19	1,854	393	1,461
937,518 sq ft 9-Building Office Portfolio ⁽⁴⁾⁽⁵⁾	2016-01-29	122,610 ⁽⁵⁾	86,154 ⁽⁵⁾	36,456 ⁽⁵⁾
3,702 sq ft Arrowhead First International Bank - Minot, ND	2016-04-06	1,675	1,255	420
		506,599	444,655	61,944
<i>Unimproved Land</i>				
River Falls Unimproved Land - River Falls, WI	2016-04-06	20	21	(1)
Total Property Dispositions		\$ 536,728	\$ 466,835	\$ 69,893

- (1) The properties included in this portfolio disposition are: 610 Business Center, 7800 West Brown Deer Road, Ameritrade, Barry Pointe Office Park, Benton Business Park, Brenwood, Brook Valley I, Crosstown Centre, Golden Hills Office Center, Granite Corporate Center, Great Plains, Highlands Ranch I, Highlands Ranch II, Interlachen Corporate Center, Intertech Building, Minnesota National Bank, Northpark Corporate Center, Omaha 10802 Farnam Dr, Plaza VII, Plymouth 5095 Nathan Lane, Prairie Oak Business Center, Rapid City 900 Concourse Drive, Spring Valley IV, Spring Valley V, Spring Valley X, Spring Valley XI, Superior Office Building, TCA Building & vacant land, Three Paramount Plaza, UHC Office, US Bank Financial Center, Wells Fargo Center, West River Business Park and Westgate.
- (2) The properties included in this portfolio disposition are: Mendota Office Center I, Mendota Office Center II, Mendota Office Center III, Mendota Office Center IV and American Corporate Center.
- (3) The properties included in this portfolio disposition are: Champlin South Pond, Chan West Village, Duluth 4615 Grand, Duluth Denfeld Retail, Forest Lake Auto, Forest Lake Westlake Center, Grand Forks Medpark Mall, Jamestown Buffalo Mall, Jamestown Business Center, Lakeville Strip Center, Monticello C Store & vacant land, Omaha Barnes & Noble, Pine City Evergreen Square, Rochester Maplewood Square and St. Cloud Westgate.
- (4) The properties included in this portfolio disposition are: Corporate Center West, Farnam Executive Center, Flagship Corporate Center, Gateway Corporate Center, Miracle Hills One, Pacific Hills, Riverport, Timberlands, and Woodlands Plaza IV.
- (5) On January 29, 2016, we transferred ownership of nine properties to the mortgage lender on a \$122.6 million non-recourse loan and removed the debt obligation and accrued interest from our balance sheet. The properties had an estimated fair value of \$89.3 million on the transfer date. Upon completion of this transfer, we recognized a gain on extinguishment of debt of \$36.5 million, representing the difference between the loan and accrued interest payable extinguished over the carrying value of the properties, cash, accounts payable and accounts receivable transferred as of the transfer date and related closing costs.

Development and Re-Development Projects

The following tables provide additional detail, as of April 30, 2017 and 2016, on our in-service (completed) development and re-development projects and development and re-development projects in progress as of April 30, 2016. There were no development or re-development projects in progress as of April 30, 2017. All of these projects are excluded from the same-store pool. We measure initial yield on our development projects upon completion and achievement of target lease-up levels by measuring net operating income from the development against the cost of the project.

Projects Placed in Service in Fiscal Year 2017

		<i>(in thousands)</i>					Date Placed in Service	Anticipated Same-Store Date
Project Name and Location	Segment	Number of Units	Percentage Leased or Committed	Anticipated Total Cost	Costs as of Apr 30, 2017	Cost per Unit ⁽¹⁾		
71 France I - Edina, MN ⁽²⁾	Multifamily	241 units	90.5 %	\$ 72,367	\$ 72,362	\$ 300,278	Q1 2017	Q1 2019
Monticello Crossings - Monticello, MN	Multifamily	202 units	87.6 %	32,134	30,516	133,336	Q4 2017	Q1 2019
				<u>104,501</u>	<u>102,878</u>			

(1) Excludes tenant improvements and leasing commissions.

(2) The project is owned by a joint venture entity in which we currently have an approximately 52.6% interest. The anticipated total cost amount given is the total cost to the joint venture entity and includes approximately 20,955 square feet of retail space.

Projects Placed in Service in Fiscal Year 2016

		<i>(in thousands)</i>					Date Placed in Service	Anticipated Same-Store Date
Project Name and Location	Segment	Rentable Square Feet or Number of Units	Percentage Leased or Committed as of April 30, 2016	Anticipated Total Cost ⁽¹⁾	Costs as of April 30, 2016 ⁽¹⁾	Cost per Square Foot or Unit ⁽¹⁾		
Chateau II - Minot, ND	Multifamily	72 units	84.7 %	\$ 14,711	\$ 14,648	\$ 204,319	Q1 2016	Q1 2019
Edina 6565 France SMC III - Edina, MN	Healthcare	57,624 sq ft	24.5 %	33,281	33,041	578	Q1 2016	Q1 2019
Renaissance Heights - Williston, ND ⁽²⁾	Multifamily	288 units	43.8 %	62,514	62,514	217,063	Q1 2016	Q1 2019
Minot Southgate Retail - Minot, ND	Retail	7,963 sq ft	— %	2,923	2,623	367	Q2 2016	Q1 2019
PrairieCare Medical - Brooklyn Park, MN	Healthcare	70,756 sq ft	100.0 %	24,536	24,440	347	Q2 2016	Q1 2018
Cardinal Point - Grand Forks, ND	Multifamily	251 units	44.2 %	52,344	49,732	208,542	Q4 2016	Q1 2019
Deer Ridge - Jamestown, ND	Multifamily	163 units	50.9 %	24,837	24,837	152,374	Q4 2016	Q1 2019
				<u>\$ 215,146</u>	<u>\$ 211,835</u>			

(1) Excludes tenant improvements and leasing commissions.

(2) We are currently an approximately 86.6% partner in the joint venture entity constructing this project. The anticipated total cost amount given is the total cost to the joint venture entity.

Projects in Progress at April 30, 2016

Project Name and Location	Segment	Number of Units	Percentage Leased or Committed as of April 30, 2016	<i>(in thousands)</i>	
				Anticipated Total Cost	Costs as of April 30, 2016 ⁽¹⁾
71 France I - Edina, MN ⁽²⁾	Multifamily	241 units	49.4 %	73,290	71,727
Monticello Crossing - Monticello, MN	Multifamily	202 units	5.5 %	31,784	17,507
Other	n/a	n/a	n/a	n/a	3,729
				<u>\$ 105,074</u>	<u>\$ 92,963</u>

(1) Includes costs related to development projects that are placed in service in phases (71 France, \$41.3 million).

(2) The project will be constructed in three phases by a joint venture entity in which we currently have an approximately 52.6% interest. The anticipated total cost amount given is the total cost to the joint venture entity. The anticipated total cost includes approximately 21,772 square feet of retail space.

Funds From Operations

We consider Funds from Operations (“FFO”) a useful measure of performance for an equity REIT. We use the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. (“NAREIT”). NAREIT defines FFO to mean “net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.” In addition, in October 2011, NAREIT clarified its computation of FFO so as to exclude impairment charges for all periods presented. Because of limitations of the FFO definition adopted by NAREIT, we have made certain interpretations in applying the definition. We believe all such interpretations not specifically provided for in the NAREIT definition are consistent with the definition.

Our management considers that FFO, by excluding depreciation costs, the gains or losses from the sale of operating real estate properties and extraordinary items as defined by GAAP, is useful to investors in providing an additional perspective on our operating results. Historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation, that the value of real estate assets decreases predictably over time. However, real estate asset values have historically risen or fallen with market conditions. NAREIT’s definition of FFO, by excluding depreciation costs, reflects the fact that depreciation charges required by GAAP may not reflect underlying economic realities. Additionally, the exclusion in NAREIT’s FFO definition of gains and losses from the sales of previously depreciated operating real estate assets assists management and investors in identifying the operating results of the long-term assets that form the core of our investments and assists in comparing those operating results between periods. FFO is used by management and investors to identify trends in occupancy rates, rental rates and operating costs.

While FFO is widely used by REITs as a primary performance metric, not all real estate companies use the same definition of FFO or calculate FFO in the same way. Accordingly, FFO presented here is not necessarily comparable to FFO presented by other real estate companies.

FFO should not be considered as an alternative to net income as determined in accordance with GAAP as a measure of our performance, but rather should be considered as an additional, supplemental measure, and should be viewed in conjunction with net income as presented in the consolidated financial statements included in this report. FFO does not represent cash generated from operating activities in accordance with GAAP, and is not necessarily indicative of sufficient cash flow to fund all of our needs or our ability to service indebtedness or make distributions.

FFO applicable to common shares and limited partnership units for the fiscal year ended April 30, 2017 was \$55.2 million, compared to \$103.9 million and \$86.6 million for the fiscal years ended April 30, 2016 and 2015, respectively.

Reconciliation of Net Income Attributable to Investors Real Estate Trust to Funds From Operations

For the years ended April 30, 2017, 2016 and 2015:

Fiscal Years Ended April 30,	<i>(in thousands, except per share and unit amounts)</i>								
	2017			2016			2015		
	Amount	Weighted Avg Shares and Units ⁽¹⁾	Per Share and Unit ⁽²⁾	Amount	Weighted Avg Shares and Units ⁽¹⁾	Per Share and Unit ⁽²⁾	Amount	Weighted Avg Shares and Units ⁽¹⁾	Per Share and Unit ⁽²⁾
Net income attributable to Investors Real Estate Trust	\$ 43,347		\$ 72,006	\$ 24,087		\$			\$
Less dividends to preferred shareholders	(10,546)		(11,514)	(11,514)					
Less redemption of preferred shares	(1,435)		—	—					
Net income available to common shareholders	31,366	121,169	0.26	60,492	123,094	0.49	12,573	118,004	0.11
Adjustments:									
Noncontrolling interests – Operating Partnership	4,059	16,130		7,032	14,278		1,526	16,594	
Depreciation and amortization	52,564			63,789			70,450		
Impairment of real estate attributable to Investors Real Estate Trust	42,065			5,983			6,105		
Gains on depreciable property sales attributable to Investors Real Estate Trust	(74,847)			(33,422)			(4,079)		
Funds from operations applicable to common shares and Units	\$ 55,207	137,299	\$ 0.40	\$ 103,874	137,372	\$ 0.76	\$ 86,575	134,598	\$ 0.64

- (1) Pursuant to Exchange Rights, limited partnership units of the Operating Partnership are redeemable for cash, or, at our discretion, may be exchangeable for common shares on a one-for-one basis.
- (2) Net income attributable to us is calculated on a per common share basis. FFO is calculated on a per common share and limited partnership unit basis.

Cash Distributions

The following cash distributions per common share/unit were paid to our common shareholders and unitholders during fiscal years 2017, 2016 and 2015:

Quarter Ended	Fiscal Years		
	2017	2016	2015
April 30	\$ 0.07	\$ 0.13	\$ 0.13
January 31	0.13	0.13	0.13
October 31	0.13	0.13	0.13
July 31	0.13	0.13	0.13
	<u>\$ 0.46</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>

Liquidity and Capital Resources

Overview

Our principal liquidity demands are maintaining distributions to the holders of our common and preferred shares and limited partnership units of IRET Properties, capital improvements and repairs and maintenance to our properties, acquisition of additional properties, property development, tenant improvements and debt service and repayments.

We have historically met our short-term liquidity requirements through net cash flows provided by our operating activities, and, from time to time, through draws on our line of credit. Management considers our ability to generate cash from property operating activities and draws on our line of credit to be adequate to meet all operating requirements and to make distributions to our shareholders in accordance with the REIT provisions of the Internal Revenue Code. Budgeted expenditures for ongoing maintenance and capital improvements and renovations to our real estate portfolio are also generally expected to be funded from existing cash on hand, cash flow generated from property operations, draws on our line of credit and/or new borrowings, and we believe we will have sufficient cash to meet our commitments over the next twelve months. However, some of our real estate markets continue to experience challenges including reduced occupancies and rental rates as well as some restrictions on the availability of financing. In the event of deterioration in property operating results, we may need to consider additional cash preservation alternatives, including

reducing development activities, capital improvements and renovations. For the fiscal year ended April 30, 2017, we paid distributions of \$63.4 million in cash to common shareholders and unitholders of IRET Properties, as compared to net cash provided by operating activities of \$73.9 million and FFO of \$55.2 million.

To the extent we do not satisfy our long-term liquidity requirements, which consist primarily of maturities under our long-term debt, construction and development activities and potential acquisition opportunities, through net cash flows provided by operating activities and our credit facilities, we intend to satisfy such requirements through a combination of funding sources which we believe will be available to us, including the issuance of limited partnership units, additional common or preferred equity, proceeds from the sale of properties and additional long-term secured or unsecured indebtedness. However, our ability to raise funds through the sale of equity securities, the sale of properties and additional long-term secured or unsecured borrowings is dependent on, among other things, general economic conditions, general market conditions for REITs, our operating performance and the current trading price of our common shares. In addition, the capital and debt markets may not consistently be available at all or on terms that we consider attractive. As a result of general economic conditions in our markets, economic downturns affecting the ability to attract and retain tenants, unfavorable fluctuations in interest rates or our share price, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may not be able to pay the distribution required to maintain our status as a REIT, make required principal and interest payments, make strategic acquisitions or make necessary routine capital improvements or undertake re-development opportunities with respect to our existing portfolio of operating assets. In addition, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the holder of the mortgage could foreclose on the property, resulting in loss of income and asset values.

Sources and Uses of Cash

On January 31, 2017, we repaid the FIB Line of Credit in full in the amount of \$17.5 million, along with applicable fees, and terminated the FIB Line of Credit. On January 31, 2017, we obtained the BMO Line of Credit, which had, as of April 30, 2017, a credit limit of \$206.0 million based on the unencumbered asset pool, of which \$57.1 million was drawn on the line.

During fiscal year 2017, credit markets continued to be stable, with credit availability relatively unconstrained and benchmark interest rates remaining at or near historic lows. While we continue to expect to be able to refinance our debt maturing in the next twelve months without significant issues, we also expect lenders to continue to employ conservative underwriting regarding asset quality, occupancy levels and tenant creditworthiness. Underwriting trends on commercial real estate have been more conservative compared to previous years and we continue to see recourse security being requested in select tertiary markets, lower amounts of proceeds available and lenders limiting the amount of financing available in an effort to manage capital allocations and credit risk. While to date there has been no material negative impact on our ability to borrow in our multifamily segment, we continue to monitor the roles of the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae) in financing multifamily properties and their general capacity to lend given allocations set by the Federal Housing Finance Agency and their overall impact on credit availability.

As of April 30, 2017, approximately 14.3%, or \$5.6 million of our mortgage debt maturing in the next twelve months is placed on multifamily assets, and approximately 85.7%, or \$33.6 million, is debt placed on commercial properties. Mortgage debt maturing in the first two quarters of fiscal year 2018 totals approximately \$26.3 million. We expect to repay the \$26.3 million in the first quarter of fiscal year 2018. We typically seek to refinance our maturing mortgage debt, although under certain circumstances we may choose to repay the debt rather than refinance, depending on the loan amount outstanding, our plans for the property securing the debt, interest rates and other loan terms available, and other factors specific to a particular property. Under present market conditions, we currently expect to be able to refinance our individual mortgage loans maturing in the next twelve months, should we choose to refinance rather than pay off some or all of these loans.

During fiscal year 2017, we sold 1 multifamily property, 32 senior housing properties, 2 medical office properties, 1 retail property, 1 industrial property and 2 parcels of unimproved land for a total sales price of \$286.9 million. There were no acquisitions of property in fiscal year 2017. During fiscal year 2016, we acquired properties with an investment cost totaling \$143.5 million. In fiscal year 2016, we sold 8 multifamily properties, 40 office properties, 2 healthcare

properties, 18 retail properties and 3 parcels of unimproved land for a total sales price of \$414.1 million and transferred ownership of 9 office properties pursuant to a deed in lieu transaction.

Under our DRIP, common shareholders and unitholders have an opportunity to use their cash distributions to purchase additional common shares and to purchase additional shares through voluntary cash contributions. As permitted under the DRIP, starting on October 1, 2015, we changed the source from which common shares are purchased under the DRIP to open market transactions, which are not eligible for purchase price discounts. During fiscal year 2017, no shares were issued under the DRIP. During fiscal year 2016, approximately 821,000 shares at an average price of \$6.85 per share, for total net proceeds of \$5.6 million were issued under the DRIP.

The issuance of limited partnership units for property acquisitions continues to be a source of financing for us. There were no units issued in fiscal year 2017. We issued 2.6 million units in connection with property acquisitions during fiscal year 2016, valued at issuance at \$18.2 million.

Under our previously announced share repurchase program, during fiscal year 2017, we repurchased approximately 778,000 common shares for approximately \$4.5 million, and 1.2 million preferred A shares for approximately \$28.8 million. During fiscal year 2016, we repurchased approximately 4.6 million common shares for approximately \$35.0 million.

Subsequent to April 30, 2017, from May 1, 2017 through June 22, 2017, we repurchased approximately 649,000 common shares at an average price of \$5.75 and approximately 409,000 units at an average price of \$5.92 per unit.

Financial Condition

Mortgage Loan Indebtedness. Mortgage loan indebtedness, including mortgages on properties held for sale, was \$687.2 million on April 30, 2017 and \$886.1 million on April 30, 2016. Approximately 91.6% of such mortgage debt is at fixed rates of interest, with staggered maturities. This limits our exposure to changes in interest rates, which minimizes the effect of interest rate fluctuations on our results of operations and cash flows. As of April 30, 2017, the weighted average rate of interest on our mortgage debt was 4.71% compared to 4.54% on April 30, 2016.

Construction Loan Indebtedness. Construction loan indebtedness was \$41.8 million on April 30, 2017 and \$82.0 million on April 30, 2016. As of April 30, 2017, the weighted average rate of interest on construction loan indebtedness was 3.27%, compared to 2.74% on April 30, 2016.

Revolving Unsecured Line of Credit. As of April 30, 2017, the BMO line of credit had a credit limit of \$206.0 million based on the unencumbered asset pool, of which \$57.1 million was drawn, at an interest rate of 2.74%. The multi-bank line of credit bears interest at grid pricing either at the Lender's Base Rate plus 60 to 125 basis points or of LIBOR plus 160 to 225 basis points, both of which are based on corporate leverage. The line of credit is utilized to refinance existing indebtedness, to finance property acquisitions, to finance capital expenditures and for general corporate purposes.

Property Owned. Property owned was \$1.7 billion at April 30, 2017 and 2016. Development placed in service partially offset dispositions during fiscal year 2017.

Cash and Cash Equivalents. Cash and cash equivalents on April 30, 2017 totaled \$28.8 million, compared to \$66.7 million on April 30, 2016. The decrease in cash on hand on April 30, 2017, as compared to April 30, 2016, was due primarily to payments on mortgage and construction debt and repurchases of common and preferred shares, net of proceeds from sales of property.

Other Investments. Other investments, consisting of bank certificates of deposit, was \$50,000 on April 30, 2016. There were no other investments as of April 30, 2017.

Operating Partnership Units. Outstanding limited partnership units in the Operating Partnership owned by limited partners decreased to 15.6 million units on April 30, 2017, compared to 16.3 million units on April 30, 2016. The decrease in units outstanding at April 30, 2017 as compared to April 30, 2016, resulted from the redemption of units for cash or shares.

Common and Preferred Shares. Common shares outstanding on April 30, 2017 totaled 121.2 million, compared to 121.1 million common shares outstanding on April 30, 2016. This increase in common shares outstanding from April 30, 2016 to April 30, 2017 was due to issuances of common shares, including in exchange for limited partnership units of our Operating Partnership, net of repurchased outstanding common shares under the share repurchase program.

During fiscal years 2017 and 2016, respectively, approximately 503,000 and 273,000 Units were redeemed in exchange for common shares in connection with Unitholders exercising their Exchange Rights, with a total value of \$875,000 and \$1.5 million included in equity.

During fiscal year 2017, we issued approximately 604,000 Common Shares, with a total grant-date value of \$2.6 million, under our 2015 Incentive Award Plan, for executive officer and trustee share based compensation for future performance. We also issued approximately 59,000 Common Shares, with a total grant-date value of approximately \$352,000, under our 2008 Incentive Award Plan, for trustee share based compensation for fiscal year 2016 performance. During fiscal year 2017, 274,000 common shares were forfeited under the 2015 Incentive Award Plan. During fiscal year 2016, we issued approximately 220,000 Common Shares, net of withholding, with a total grant-date value of approximately \$1.6 million, under our 2008 Incentive Award Plan, for executive officer and trustee share based compensation for fiscal year 2015 performance.

On December 7, 2016, our Board of Trustees authorized a share repurchase program to repurchase up to \$50 million of our common shares and/or Series B preferred shares over a one year period. Under this program, we may repurchase the shares in open-market purchases including pursuant to Rule 10b5-1 plans, as determined by management and in accordance with the requirements of the Securities and Exchange Commission. The extent to which we repurchase our shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by the executive management team. The program may be suspended or discontinued at any time. During fiscal year 2017, we repurchased and retired approximately 778,000 common shares for an aggregate cost of \$4.5 million, including commissions, at an average price per share of \$5.77. During fiscal year 2016, we repurchased and retired approximately 4.6 million common shares for an aggregate cost of \$35.0 million, including commissions, at an average price per share of \$7.52.

As of April 30, 2017, we had 4.6 million Series B preferred shares outstanding. On December 2, 2016, we completed the redemption of all of the outstanding 8.25% Series A Cumulative Redeemable Preferred Shares (“Preferred A Shares”) for an aggregate redemption price of \$29.2 million, and such shares are no longer outstanding as of such date.

Contractual Obligations and Other Commitments

Our primary contractual obligations relate to our borrowings under the line of credit and mortgage notes payable. The line of credit matures in January 2021 and had \$57.1 million in loans outstanding at April 30, 2017. The principal and interest payments on the mortgage notes payable, including mortgages on properties held for sale, for the years subsequent to April 30, 2017, are included in the table below as “Long-term debt.” Interest due on variable rate mortgage notes is calculated using rates in effect on April 30, 2017. The “Other Debt” category consists primarily of principal and interest payments on construction loans.

As of April 30, 2017, we are the tenant under operating ground or air rights leases on seven of our properties. We pay a total of approximately \$330,000 per year in rent under these leases, which have remaining terms ranging from 14 to 39 years, and expiration dates ranging from February 2031 to October 2055.

Our purchase obligations represent those costs that we are contractually obligated to pay in the future. Our significant purchase obligations as of April 30, 2017, which we expect to finance through debt and operating cash, are summarized in the following table. The significant components in the purchase obligation category are costs for construction and expansion projects and capital improvements at our properties. Service orders or contracts for the provision of routine maintenance services at our properties, such as landscaping and grounds maintenance, are not included in the table below since these arrangements are generally based on current needs, are filled by our service providers within short time

horizons and may be cancelled without penalty. The expected timing of payment of the obligations discussed below is estimated based on current information.

	<i>(in thousands)</i>				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt (principal and interest)	\$ 813,213	\$ 88,581	\$ 222,491	\$ 251,539	\$ 250,602
Line of credit (principal and interest) ⁽¹⁾	\$ 63,143	\$ 1,612	\$ 3,165	\$ 58,366	\$ —
Other debt (principal and interest)	\$ 42,671	\$ 24,689	\$ 17,982	\$ —	\$ —
Operating lease obligations	\$ 9,834	\$ 331	\$ 665	\$ 671	\$ 8,167
Purchase obligations	\$ 5,952	\$ 5,952	\$ —	\$ —	\$ —
Total	\$ 934,813	\$ 121,165	\$ 244,303	\$ 310,576	\$ 258,769

(1) The future interest payments on the line of credit were estimated using the outstanding principal balance and interest rate in effect as of April 30, 2017.

Off-Balance-Sheet Arrangements

As of April 30, 2017, we had no significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Recent Developments

Common and Preferred Share Distributions. On June 5, 2017, our Board of Trustees declared the following distributions:

Class of shares/units	Quarterly Amount per Share or Unit	Record Date	Payment Date
Common shares and limited partnership units	\$ 0.0700	June 15, 2017	July 3, 2017
Preferred shares:			
Series B	\$ 0.4968	June 15, 2017	July 3, 2017

Completed Acquisition. On May 26, 2017, we closed on the acquisition of a 191-unit multifamily property in St. Paul, MN for a purchase price of \$61.5 million, paid in cash. The purchase price accounting is incomplete for this acquisition.

Completed Disposition. On May 15, 2017, we sold a retail property in Minot, ND for a sales price of \$3.4 million.

Pending Disposition. On June 19, 2017, we signed an agreement to sell a healthcare property in Eagan, MN for a sales price of \$2.1 million. This pending disposition is subject to various closing conditions and contingencies, and no assurances can be given that the transaction will be completed on the terms currently expected, or at all.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited primarily to fluctuations in the general level of interest rates on our current and future fixed and variable rate debt obligations, and secondarily to our deposits with and investments in certain products issued by various financial institutions.

Variable interest rates. Approximately 91.6%, 77.8% and 92.8% of our mortgage debt, including mortgages on properties held for sale, as of April 30, 2017, 2016 and 2015, respectively, are at fixed interest rates. Therefore, we have little exposure to interest rate fluctuation risk on our existing mortgage debt. Even though our goal is to maintain a fairly low exposure to interest rate risk, we may become vulnerable to significant fluctuations in interest rates on any future repricing or refinancing of our fixed or variable rate debt and on future debt.

We primarily use long-term (more than nine 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 interest rate risk. As of April 30, 2017, we had the following amounts of future principal and interest payments due on mortgages, including mortgages held for sale, secured by our real estate.

Future Principal Payments (in thousands, except percentages)								
Mortgages	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
Fixed Rate	\$ 32,465	\$ 74,838	\$ 63,209	\$ 136,362	\$ 87,046	\$ 231,023	\$ 624,943	\$ 640,444
Avg Fixed Interest Rate	4.64 %	4.43 %	4.23 %	3.73 %	2.86 %			
Variable Rate	\$ 8,312	\$ 1,080	\$ 30,469	\$ 28	\$ 608	\$ —	\$ 40,497	\$ 40,497
Avg Variable Interest Rate	4.46 %	4.71 %	5.10 %	3.92 %	3.97 %			
Held for Sale	\$ 16,621	\$ 1,870	\$ 183	\$ 193	\$ 993	\$ 1,943	\$ 21,803	\$ 21,861
Avg Fixed Interest Rate	3.43 %	5.11 %	4.58 %	4.55 %	3.71 %			
							\$ 687,243	\$ 702,802

Future Interest Payments (in thousands)								
Mortgages	2018	2019	2020	2021	2022	Thereafter	Total	
Fixed Rate	\$ 29,013	\$ 26,265	\$ 21,901	\$ 16,941	\$ 9,086	\$ 17,122	\$ 120,328	
Variable Rate	1,805	1,517	742	25	6	—	4,095	
Held for Sale	365	265	152	142	109	514	1,547	
							\$ 125,970	

As of April 30, 2017, the weighted-average interest rate on our fixed rate and variable rate loans was 4.75% and 4.27%, respectively. The weighted-average interest rate on all of our mortgage debt as of April 30, 2017 was 4.71%. Any fluctuations in variable interest rates could increase or decrease our interest expenses. For example, an increase of one percent per annum on our \$57.7 million of variable rate mortgage indebtedness would increase our annual interest expense by approximately \$577,000.

As of April 30, 2017, the BMO line of credit had a credit limit of \$206.0 million, of which \$57.1 million was drawn, at an interest rate of 2.74%. The line of credit bears interest at grid pricing either at the Lender's Base Rate plus 60 to 125 basis points or of LIBOR plus 160 to 225 basis points, both of which are based on corporate leverage. Any fluctuations in variable interest rates could increase or decrease our interest expenses. For example, an increase of one percent per annum on our outstanding balance of \$57.1 million would increase our annual interest expense by approximately \$571,000.

Investments with Certain Financial Institutions. We have entered into a cash management arrangement with First Western Bank (the "Bank") with respect to deposit accounts that exceed Federal Deposit Insurance Corporation ("FDIC") coverage. On a daily basis, account balances are swept into a repurchase account. The Bank pledges fractional interests in US Government Securities owned by the Bank at an amount equal to the excess over the uncollected balance in the repurchase account. The amounts deposited by us pursuant to the repurchase agreement are not insured by FDIC. At April 30, 2017 and 2016, these amounts totaled \$6.0 million and \$36.7 million, respectively.

Deposits exceeding FDIC insurance. We are potentially exposed to off-balance-sheet risk in respect of cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and related notes, together with the Report of the Independent Registered Public Accounting Firm, are set forth beginning on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures: As of April 30, 2017, the end of the period covered by this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting: There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for performing an assessment of the effectiveness of internal control over financial reporting as of April 30, 2017. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with United States GAAP.

As of April 30, 2017, management conducted an assessment of the effectiveness of our internal control over financial reporting, based on the framework established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this assessment, management has determined that our internal control over financial reporting as of April 30, 2017, was effective.

Our internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions, acquisitions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and the trustees; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our internal control over financial reporting as of April 30, 2017 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report on page F-3 of our consolidated financial statements contained in our Annual Report on Form 10-K, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of April 30, 2017.

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Item 9B. Other Information

None.

PART III

The information required in Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence), and Item 14 (Principal Accountant Fees and Services) will be incorporated by reference to our definitive proxy statement for our 2017 Annual Meeting of Shareholders to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) *The following documents are filed as part of this report:*

1. Financial Statements

See the “Table of Contents” to our consolidated financial statements on page F-1 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

See the “Table of Contents” to our consolidated financial statements on page F-1 of this Annual Report on Form 10-K.

The following financial statement schedules should be read in conjunction with the financial statements referenced in Part II, Item 8 of this Annual Report on Form 10-K: Schedule III Real Estate and Accumulated Depreciation

3. Exhibits

See the Exhibit Index set forth in part (b) below.

(b) The Exhibit Index below lists the exhibits to this Annual Report on Form 10-K. We will furnish a printed copy of any exhibit listed below to any security holder who requests it upon payment of a fee of 15 cents per page. All Exhibits are either contained in this Annual Report on Form 10-K or are incorporated by reference as indicated below.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1.	Articles of Amendment and Third Restated Declaration of Trust of Investors Real Estate Trust adopted on September 23, 2003, as amended on September 18, 2007 (incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Commission on June 30, 2014).
3.2	Fifth Restated Trustee's Regulations (Bylaws) of Investors Real Estate Trust , adopted on March 15, 2017 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-k filed on March 17, 2017).
3.3	Agreement of Limited Partnership of IRET Properties dated January 31, 1997 (incorporated herein by reference to Exhibit 3(II) to the Company's Registration Statement on Form S-11 filed with the Commission on February 18, 1997).
10.1**	2015 Incentive Plan dated June 23, 2015 ((incorporated herein by reference to Appendix A to the Company's Proxy Statement on Schedule 14A filed with the Commission on August 3, 2015).
10.2**	Amendment to 2015 Incentive Plan dated April 19, 2016 (incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K filed with the Commission on June 29, 2016).
10.3	Form of Trustee Stock Award Agreement under the 2015 Incentive Plan dated June 22, 2016 (incorporated herein by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K filed with the Commission on June 29, 2016).
10.4**	Form of Performance Stock Award Agreement under the 2015 Incentive Plan dated June 22, 2016 (incorporated herein by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed with the Commission on June 29, 2016).
10.5**	Form of Stock Award Agreement under the 2015 Incentive Plan dated June 22, 2016 (incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K filed with the Commission on June 29, 2016).
10.6**	Form of Stock Award Agreement (one-year measurement period) under the 2015 Incentive Plan dated September 16, 2015 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 21, 2015).
10.7**	Form of Stock Award Agreement (two-year measurement period) under the 2015 Incentive Plan dated September 16, 2015 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 21, 2015).
10.8**	Form of Stock Award Agreement (three-year measurement period) under the 2015 Incentive Plan dated September 16, 2015 (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 21, 2015).
10.9**	Form of Change in Control Severance Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 7, 2015).
10.10**	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 21, 2015).
10.11**	2008 Incentive Award Plan of Investors Real Estate Trust and IRET Properties dated September 16, 2008 (incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement filed with the Commission on August 1, 2008).

EXHIBIT NO.	DESCRIPTION
10.12**	Short-Term Incentive Program dated May 1, 2012 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 4, 2012).
10.13**	Long-Term Incentive Program dated May 1, 2012 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on June 4, 2012).
10.14	Amended and Restated Loan Agreement dated November 20, 2013 by and between IRET Properties, as borrower, and First International Bank & Trust, as lender (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 25, 2013).
10.15	First Amendment to Amended and Restated Loan Agreement dated October 29, 2014 by and between IRET Properties, as borrower, and First International Bank & Trust, as lender (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 4, 2014).
10.16	Construction Loan Agreement dated January 22, 2015 by and between IRET-71 France, LLC, as borrower, the lending institutions party thereto as lenders, PNC Bank, NA, as Administrative Agent, and PNC Capital Markets, LLC, as Lead Arranger (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 28, 2015).
10.17	Credit Agreement , dated January 31, 2017, between IRET Properties, as borrower; Investors Real Estate Trust, IRET, Inc., and other subsidiaries as guarantors; lenders; KeyBank, NA and PNC Bank, NA as syndication agents; and Bank of Montreal as administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on March 13, 2017).
10.18	Agreement for Sale and Purchase of Property – Wyoming Senior Housing Assets Portfolio , dated August 26, 2016, by IRET Properties and LSREF Golden Property 14 (WY), LLC as sellers and Edgewood Properties, LLLP, Edgewood Properties Managements, LLC and LSREF Golden Ops 14 (WY), LLC as buyers (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on December 12, 2016).
10.19	Agreement for Sale and Purchase of Property – Hermantown Senior Housing Assets Portfolio , dated August 26, 2016, by IRET Properties as seller and Edgewood Properties, LLLP, Edgewood Properties Managements, LLC and Edgewoodvista Senior Living, Inc. as buyers (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on December 12, 2016).
10.20	Agreement for Sale and Purchase of Property – Edgewood Vista 1 Senior Housing Assets Portfolio , dated August 26, 2016, by IRET Properties as seller and Edgewood Properties, LLLP, Edgewood Properties Managements, LLC and Edgewoodvista Senior Living, Inc. as buyers (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on December 12, 2016).
10.21	Agreement for Sale and Purchase of Property – Edgewood Vista 2 Senior Housing Assets Portfolio , dated August 26, 2016, by IRET Properties and EVI Grand Cities, LLC as sellers and Edgewood Properties, LLLP, Edgewood Properties Managements, LLC and Edgewoodvista Senior Living, Inc. as buyers (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on December 12, 2016).
10.22	Agreement for Sale and Purchase of Property – Edgewood Vista 3 Senior Housing Assets Portfolio , dated August 26, 2016, by IRET Properties, EVI Billings, LLC, EVI Sioux Falls, LLC and IRET-Minot EV, LLC as sellers and Edgewood Properties, LLLP, Edgewood Properties Managements, LLC and Edgewoodvista Senior Living, Inc. as buyers (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the Commission on December 12, 2016).

EXHIBIT NO.	DESCRIPTION
10.23	Agreement for Sale and Purchase of Property – Sartell Senior Housing Assets Portfolio , dated August 26, 2016, by IRET Properties and IRET-SH 1, LLC as sellers and Edgewood Properties, LLLP, Edgewood Properties Managements, LLC and Edgewoodvista Senior Living, Inc. as buyers (incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on December 12, 2016).
10.24	Separation Agreement and Release dated August 1, 2016 between the Company and Mark W. Reiling (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on September 8, 2016).
10.25	Stock Award Agreement under the 2015 Incentive Plan dated August 8, 2016 issued to Mark O. Decker, Jr (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on September 8, 2016).
10.26†	Separation Agreement and Release dated April 27, 2017 between the Company and Timothy P. Mihalick.
10.27†	Separation Agreement and Release dated April 27, 2017 between the Company and Diane K. Bryantt.
10.28**†	Offer Letter dated April 27, 2017 between the Company and Anne Olson.
10.29**†	Offer Letter dated April 27, 2017 between the Company and John Kirchmann.
10.30**†	Offer Letter dated April 27, 2017 between the Company and Mark O. Decker, Jr.
12.1†	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Share Dividends
21.1†	Subsidiaries of Investors Real Estate Trust
23.1†	Consent of Independent Registered Public Accounting Firm
24.1†	Power of Attorney (included on the signature page to this Annual Report on Form 10-K and incorporated by reference herein).
31.1†	Section 302 Certification of President and Chief Executive Officer
31.2†	Section 302 Certification of Chief Financial Officer
32.1†	Section 906 Certification of the President and Chief Executive Officer
32.2†	Section 906 Certification of the Chief Financial Officer
101†	The following materials from our Annual Report on Form 10-K for the fiscal year ended April 30, 2017 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements.

† Filed herewith

** Indicates management compensatory plan, contract or arrangement.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 28, 2017

Investors Real Estate Trust

By: /s/ Mark O. Decker, Jr.

Mark O. Decker, Jr.

President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ Jeffrey P. Caira</u> Jeffrey P. Caira	Trustee & Chairman	June 28, 2017
<u>/s/ John D. Stewart</u> John D. Stewart	Trustee & Vice Chairman	June 28, 2017
<u>/s/ Mark O. Decker, Jr.</u> Mark O. Decker, Jr.	President & Chief Executive Officer (Principal Executive Officer); Trustee	June 28, 2017
<u>/s/ Ted E. Holmes</u> Ted E. Holmes	Chief Financial Officer (Principal Financial Officer)	June 28, 2017
<u>/s/ Nancy B. Andersen</u> Nancy B. Andersen	Senior Vice President & Principal Accounting Officer (Principal Accounting Officer)	June 28, 2017
<u>/s/ Michael T. Dance</u> Michael T. Dance	Trustee	June 28, 2017
<u>/s/ Linda J. Hall</u> Linda J. Hall	Trustee	June 28, 2017
<u>/s/ Terrance P. Maxwell</u> Terrance P. Maxwell	Trustee	June 28, 2017
<u>/s/ Jeffrey L. Miller</u> Jeffrey L. Miller	Trustee	June 28, 2017
<u>/s/ John A. Schissel</u> John A. Schissel	Trustee	June 28, 2017

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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Schedules other than those listed above are omitted since they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes thereon.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Trustees and Shareholders
Investors Real Estate Trust

We have audited the accompanying consolidated balance sheets of Investors Real Estate Trust (a North Dakota real estate investment trust) and subsidiaries (the “Company”) as of April 30, 2017 and 2016, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended April 30, 2017. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Investors Real Estate Trust and subsidiaries as of April 30, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of April 30, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 28, 2017 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota
June 28, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Trustees and Shareholders
Investors Real Estate Trust

We have audited the internal control over financial reporting of Investors Real Estate Trust (a North Dakota real estate investment trust) and subsidiaries (the “Company”) as of April 30, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended April 30, 2017, and our report dated June 28, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota
June 28, 2017

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	<i>(in thousands)</i>	
	April 30, 2017	April 30, 2016
ASSETS		
Real estate investments		
Property owned	\$ 1,677,481	\$ 1,681,471
Less accumulated depreciation	(340,417)	(312,889)
	1,337,064	1,368,582
Development in progress	—	51,681
Unimproved land	18,455	20,939
Total real estate investments	1,355,519	1,441,202
Assets held for sale and assets of discontinued operations	37,708	220,537
Cash and cash equivalents	28,819	66,698
Other investments	—	50
Receivable arising from straight-lining of rents, net of allowance of \$340 and \$333, respectively	7,822	7,179
Accounts receivable, net of allowance of \$210 and \$97, respectively	2,600	1,524
Real estate deposits	23,659	—
Prepaid and other assets	3,131	2,937
Intangible assets, net of accumulated amortization of \$5,444 and \$6,230, respectively	658	1,858
Tax, insurance, and other escrow	5,050	5,450
Property and equipment, net of accumulated depreciation of \$1,199 and \$1,058, respectively	901	1,011
Goodwill	1,572	1,680
Deferred charges and leasing costs, net of accumulated amortization of \$4,275 and \$3,719, respectively	7,075	4,896
TOTAL ASSETS	\$ 1,474,514	\$ 1,755,022
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
LIABILITIES		
Liabilities held for sale and liabilities of discontinued operations	\$ 30,062	\$ 77,488
Accounts payable and accrued expenses	40,350	39,727
Revolving line of credit	57,050	17,500
Mortgages payable, net of unamortized loan costs of \$3,480 and \$4,931, respectively	661,960	812,393
Construction debt and other	41,817	82,130
TOTAL LIABILITIES	831,239	1,029,238
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
REDEEMABLE NONCONTROLLING INTERESTS – CONSOLIDATED REAL ESTATE ENTITIES		
	7,181	7,522
EQUITY		
Investors Real Estate Trust shareholders' equity		
Series A Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, no shares issued and outstanding at April 30, 2017 and 1,150,000 issued and outstanding at April 30, 2016, aggregate liquidation preference of \$28,750,000)	—	27,317
Series B Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, 4,600,000 shares issued and outstanding at April 30, 2017 and April 30, 2016, aggregate liquidation preference of \$115,000,000)	111,357	111,357
Common Shares of Beneficial Interest (Unlimited authorization, no par value, 121,199,299 shares issued and outstanding at April 30, 2017 and 121,091,249 shares issued and outstanding at April 30, 2016)	916,121	922,084
Accumulated distributions in excess of net income	(466,541)	(442,000)
Total Investors Real Estate Trust shareholders' equity	560,937	618,758
Noncontrolling interests – Operating Partnership (15,617,216 units at April 30, 2017 and 16,285,239 units at April 30, 2016)	73,233	78,484
Noncontrolling interests – consolidated real estate entities	1,924	21,020
Total equity	636,094	718,262
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	\$ 1,474,514	\$ 1,755,022

See Notes to Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>(in thousands, except per share data)</i>		
	Years Ended April 30,		
	2017	2016	2015
REVENUE			
Real estate rentals	\$ 186,837	\$ 170,698	\$ 159,969
Tenant reimbursement	18,901	17,622	19,352
TOTAL REVENUE	205,738	188,320	179,321
EXPENSES			
Property operating expenses, excluding real estate taxes	64,768	58,859	53,535
Real estate taxes	23,587	20,241	19,602
Depreciation and amortization	55,009	49,832	42,784
Impairment of real estate investments	57,028	5,543	4,663
General and administrative expenses	12,075	11,267	11,824
Acquisition and investment related costs	3,276	830	362
Other expenses	3,796	2,231	1,647
TOTAL EXPENSES	219,539	148,803	134,417
Operating (loss) income	(13,801)	39,517	44,904
Interest expense	(41,127)	(35,768)	(34,447)
Loss on extinguishment of debt	(3,099)	(106)	—
Interest income	369	81	62
Other income	807	317	718
(Loss) income before gain on sale of real estate and other investments, gain on bargain purchase and income from discontinued operations	(56,851)	4,041	11,237
Gain on sale of real estate and other investments	18,701	9,640	6,093
Gain on bargain purchase	—	3,424	—
(Loss) income from continuing operations	(38,150)	17,105	17,330
Income from discontinued operations	68,675	59,497	11,354
NET INCOME	30,525	76,602	28,684
Net income attributable to noncontrolling interests – Operating Partnership	(4,059)	(7,032)	(1,526)
Net loss (income) attributable to noncontrolling interests – consolidated real estate entities	16,881	2,436	(3,071)
Net income attributable to Investors Real Estate Trust	43,347	72,006	24,087
Dividends to preferred shareholders	(10,546)	(11,514)	(11,514)
Redemption of preferred shares	(1,435)	—	—
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 31,366	\$ 60,492	\$ 12,573
(Loss) earnings per common share from continuing operations – Investors Real Estate Trust – basic and diluted	\$ (0.24)	\$ 0.06	\$ 0.02
Earnings per common share from discontinued operations – Investors Real Estate Trust – basic and diluted	0.50	0.43	0.09
NET INCOME PER COMMON SHARE – BASIC & DILUTED	\$ 0.26	\$ 0.49	\$ 0.11

See Notes to Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

	NUMBER OF PREFERRED SHARES	PREFERRED SHARES	NUMBER OF COMMON SHARES	COMMON SHARES	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME	NONREDEEMABLE NONCONTROLLING INTERESTS	TOTAL EQUITY
BALANCE APRIL 30, 2014	5,750	\$ 138,674	109,019	\$ 843,268	\$ (389,758)	\$ 128,362	\$ 720,546
Net income attributable to Investors Real Estate							
Trust and noncontrolling interests					24,087	4,432	28,519
Distributions – common shares and units					(61,247)	(8,607)	(69,854)
Distributions – Series A preferred shares					(2,372)		(2,372)
Distributions – Series B preferred shares					(9,142)		(9,142)
Distribution reinvestment and share purchase plan			8,102	64,856			64,856
Shares issued and share-based compensation			151	2,626			2,626
Partnership units issued						800	800
Redemption of units for common shares			7,183	41,264		(41,264)	—
Contributions from nonredeemable noncontrolling interests – consolidated real estate entities						8,909	8,909
Distributions to nonredeemable noncontrolling interests – consolidated real estate entities						(3,926)	(3,926)
Other					(146)	138	(8)
BALANCE APRIL 30, 2015	5,750	\$ 138,674	124,455	\$ 951,868	\$ (438,432)	\$ 88,844	\$ 740,954
Net income attributable to Investors Real Estate							
Trust and nonredeemable noncontrolling interests					72,006	4,562	76,568
Distributions – common shares and units					(64,060)	(7,230)	(71,290)
Distributions – Series A preferred shares					(2,372)		(2,372)
Distributions – Series B preferred shares					(9,142)		(9,142)
Distribution reinvestment and share purchase plan			821	5,619			5,619
Shares issued and share-based compensation			185	1,728			1,728
Partnership units issued						18,226	18,226
Redemption of units for common shares			273	1,477		(1,477)	—
Shares repurchased			(4,643)	(35,000)			(35,000)
Distributions to nonredeemable noncontrolling interests – consolidated real estate entities						(7,029)	(7,029)
Adjustments to prior year redemption of units for common shares					(3,608)	3,608	—
BALANCE APRIL 30, 2016	5,750	\$ 138,674	121,091	\$ 922,084	\$ (442,000)	\$ 99,504	\$ 718,262

See Notes to Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY *(continued)*

	<i>(in thousands)</i>						
	NUMBER OF PREFERRED SHARES	PREFERRED SHARES	NUMBER OF COMMON SHARES	COMMON SHARES	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME	NONREDEEMABLE NONCONTROLLING INTERESTS	TOTAL EQUITY
BALANCE APRIL 30, 2016	5,750	\$ 138,674	121,091	\$ 922,084	\$ (442,000)	\$ 99,504	\$ 718,262
Net income attributable to Investors Real Estate Trust and nonredeemable noncontrolling interests					43,347	(12,400)	30,947
Distributions – common shares and units					(55,907)	(7,453)	(63,360)
Distributions – Series A preferred shares					(1,403)		(1,403)
Distributions – Series B preferred shares					(9,143)		(9,143)
Share-based compensation, net of forfeitures			389	358			358
Redemption of units for common shares			503	875		(875)	—
Redemption of units for cash						(966)	(966)
Shares repurchased	(1,150)	(27,317)	(778)	(4,501)	(1,435)		(33,253)
Contributions from nonredeemable noncontrolling interests – consolidated real estate entities						7,188	7,188
Distributions to nonredeemable noncontrolling interests – consolidated real estate entities						(174)	(174)
Conversion to equity of notes receivable from nonredeemable noncontrolling interests – consolidated real estate entities						(7,366)	(7,366)
Acquisition of nonredeemable noncontrolling interests – consolidated real estate entities						(2,261)	(4,938)
Other			(6)	(18)		(40)	(58)
BALANCE APRIL 30, 2017	4,600	\$ 111,357	121,199	\$ 916,121	\$ (466,541)	\$ 75,157	\$ 636,094

See Notes to Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>(in thousands)</i>		
	Year Ended April 30,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 30,525	\$ 76,602	\$ 28,684
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	56,525	50,978	43,762
Depreciation and amortization from discontinued operations	87	14,477	28,316
Gain on sale of real estate, land, other investments and discontinued operations	(74,847)	(33,423)	(6,093)
Loss (gain) on extinguishment of debt and discontinued operations	1,041	(35,552)	—
Gain on bargain purchase	—	(3,424)	—
Share-based compensation expense	6	2,256	2,215
Impairment of real estate investments	57,028	5,983	6,105
Bad debt expense	499	651	967
Write off of development pursuit costs	3,161	—	—
Changes in other assets and liabilities:			
Receivable arising from straight-lining of rents	(662)	(437)	(64)
Accounts receivable	930	1,815	4,058
Prepaid and other assets	(244)	762	(150)
Tax, insurance and other escrow	(123)	1,463	1,445
Deferred charges and leasing costs	(2,430)	(1,366)	(2,300)
Accounts payable, accrued expenses and other liabilities	2,434	(14,292)	7,234
Net cash provided by operating activities	73,930	66,493	114,179
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from real estate deposits	1,370	5,203	1,168
Payments for real estate deposits	(25,029)	(2,714)	(3,512)
Decrease in other investments	50	279	—
Decrease in lender holdbacks for improvements	2,665	4,347	10,738
Increase in lender holdbacks for improvements	(903)	(1,136)	(1,204)
Proceeds from sale of discontinued operations	237,135	365,845	—
Proceeds from sale of real estate and other investments	47,354	40,306	73,835
Insurance proceeds received	88	1,320	2,678
Payments for acquisitions of real estate assets	—	(121,821)	(38,704)
Payments for development and re-development of real estate assets	(18,274)	(122,801)	(189,091)
Payments for improvements of real estate assets	(42,193)	(28,976)	(21,327)
Payments for improvements of real estate assets from discontinued operations	—	(5,600)	(10,988)
Net cash provided (used) by investing activities	202,263	134,252	(176,407)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from mortgages payable	84,150	143,574	90,749
Principal payments on mortgages payable	(295,136)	(234,885)	(127,622)
Proceeds from revolving lines of credit	246,000	82,000	55,000
Principal payments on revolving lines of credit	(206,450)	(125,000)	(17,000)
Proceeds from construction debt	19,341	94,142	93,643
Principal payments on construction debt	(49,080)	(24,754)	(12,685)
Proceeds from sale of common shares under distribution reinvestment and share purchase program	—	1,493	48,701
Additions to notes receivable from noncontrolling partner – consolidated real estate entities	(9,211)	—	—
Proceeds from noncontrolling partner – consolidated real estate entities	9,749	1,120	2,284
Payments for acquisition of noncontrolling interests – consolidated real estate entities	(4,938)	—	—
Repurchase of common shares	(4,501)	(35,000)	—
Repurchase of preferred shares	(28,752)	—	—
Repurchase of partnership units	(966)	—	—
Distributions paid to common shareholders	(55,907)	(60,063)	(45,728)
Distributions paid to preferred shareholders	(10,744)	(11,514)	(11,514)
Distributions paid to noncontrolling interests – Unitholders of the Operating Partnership	(7,453)	(7,101)	(7,971)
Distributions paid to noncontrolling interests – consolidated real estate entities	(174)	(7,029)	(3,926)
Net cash (used) provided by financing activities	(314,072)	(183,017)	63,931
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(37,879)	17,728	1,703
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	66,698	48,970	47,267
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 28,819	\$ 66,698	\$ 48,970

See Notes to Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

	<i>(in thousands)</i>		
	Year Ended April 30,		
	2017	2016	2015
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Distribution reinvestment plan – shares issued	\$ —	\$ 3,997	\$ 15,519
Operating partnership distribution reinvestment plan – shares issued	—	130	636
Operating partnership units converted to shares	875	1,477	41,264
Real estate assets acquired through the issuance of operating partnership units	—	18,226	800
Real estate assets acquired through assumption of indebtedness and accrued costs	—	—	12,169
(Decrease) increase to accounts payable included within real estate investments	(1,851)	(10,420)	5,116
Real estate assets contributed by noncontrolling interests – consolidated real estate entities	—	—	6,624
Conversion to equity of notes receivable from noncontrolling interests – consolidated real estate entities	9,846	—	—
Construction debt reclassified to mortgages payable	10,549	123,553	—
Decrease in real estate assets in connection with transfer of real estate assets in settlement of debt	—	87,213	—
Decrease in debt in connection with transfer of real estate assets in settlement of debt	—	122,610	—
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest, <i>net of amounts capitalized of \$431, \$4,396 and \$4,903, respectively</i>	\$ 34,432	\$ 39,668	\$ 51,283

See Notes to Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2017, 2016, and 2015

NOTE 1 • ORGANIZATION

Investors Real Estate Trust (“IRET”, “we” or “us”) is a self-advised equity real estate investment trust engaged in acquiring, owning and leasing real estate. We have elected to be taxed as a real estate investment trust (“REIT”) under Sections 856-860 of the Internal Revenue Code of 1986, as amended. As a REIT, we are subject to a number of organizational and operational requirements, including a requirement to distribute 90% of ordinary taxable income to shareholders, and, generally, are not subject to federal income tax on net income, except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiary (“TRS”). Our TRS is subject to corporate federal and state income tax on its taxable income at regular statutory rates. We have considered estimated future taxable income and have determined that there were no material income tax provisions or material net deferred income tax items for our TRS for the years ended April 30, 2017, 2016 and 2015. Our properties are located mainly in the states of North Dakota and Minnesota, but also in the states of Idaho, Iowa, Kansas, Montana, Nebraska, South Dakota, Wisconsin and Wyoming. As of April 30, 2017, we held for investment 87 multifamily properties with 12,885 apartment units and 42 commercial properties, consisting of healthcare, industrial, office and retail, totaling 2.6 million net rentable square feet. As of April 30, 2017, we held for sale 13 multifamily properties consisting of 327 units, and 4 commercial properties. We conduct a majority of our business activities through our consolidated operating partnership, IRET Properties, a North Dakota Limited Partnership (the “Operating Partnership”), as well as through a number of other subsidiary entities.

All references to IRET, we or us refer to Investors Real Estate Trust and its consolidated subsidiaries.

NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements include our accounts and the accounts of all our subsidiaries in which we maintain a controlling interest, including the Operating Partnership. All intercompany balances and transactions are eliminated in consolidation. Our fiscal year ends April 30th.

Our interest in the Operating Partnership was 88.6% and 88.1%, respectively, of the limited partnership units of the Operating Partnership (“Units”) as of April 30, 2017 and 2016, which includes 100% of the general partnership interest. Under the terms of the Operating Partnership’s Agreement of Limited Partnership, limited partners have the right to require the Operating Partnership to redeem their Units for cash any time following the first anniversary of the date they acquired such Units (“Exchange Right”). When a limited partner exercises the Exchange Right, we have the right, in our sole discretion, to acquire such Units by either making a cash payment or exchanging the Units for our common shares of beneficial interest (“Common Shares”), on a one-for-one basis. The Exchange Right is subject to certain conditions and limitations, including the limited partner may not exercise the Exchange Right more than two times during a calendar year and the limited partner may not exercise for less than 1,000 Units, or, if such limited partner holds less than 1,000 Units, for less than all of the Units held by such limited partner. The Operating Partnership and some limited partners have contractually agreed to a holding period of greater than one year, a greater number of redemptions during a calendar year or other limitations to their Exchange Right.

The consolidated financial statements also reflect the ownership by the Operating Partnership of certain joint venture entities in which the Operating Partnership has a general partners or controlling interest. These entities are consolidated into our other operations with noncontrolling interests reflecting the noncontrolling partners’ share of ownership, income and expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* and in August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers-Deferral of the Effective Date*, which defers the effective date of the new revenue recognition standard until fiscal years beginning after December 15, 2017. Subsequently, the FASB has issued multiple ASUs clarifying ASU 2014-09 and ASU 2015-14. The standard will eliminate the transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle based approach for determining revenue recognition. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The majority of our revenue is derived from rental income, which is scoped out from this standard and will be accounted for under ASC 840, *Leases*. Our other revenue streams, which are being evaluated under this ASU, include but are not limited to other income from residents determined not to be within the scope of ASC 840 and gains and losses from real estate dispositions. We will continue to assess the impact of the new standard and anticipate adoption as of May 1, 2018 using the modified retrospective approach.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with variable interest entities, and (iv) provide a scope exception for certain entities. The ASU is effective for fiscal years beginning after December 15, 2015. We adopted the guidance in ASU 2015-02 as of May 1, 2016, as more fully described in the Variable Interest Entity section below.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability to which they relate, consistent with debt discounts, as opposed to being presented as assets. The ASU is effective for fiscal years beginning after December 15, 2015. We adopted the guidance in ASU 2015-03 as of May 1, 2016.

In April 2015, the FASB issued ASU 2015-05, *Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*. Under ASU 2015-05, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The ASU is effective for fiscal years beginning after December 15, 2015. Our adoption of the guidance in ASU 2015-05 did not have a material impact on our operating results or financial position.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. The ASU is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We do not expect adoption of this update to have a material impact on our operating results or financial position.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The ASU is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2018. We are currently evaluating the impact the new standard may have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 amends several aspects of the accounting for share-based payment transactions, including the income tax consequences, accrual of compensation cost, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The ASU is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. We are currently evaluating the impact the new standard may have on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing diversity in practice. The cash flow issues include debt prepayment or debt extinguishment costs and proceeds from the settlement of insurance claims. The ASU is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We are currently evaluating the impact the new standard may have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*. ASU 2017-01 clarifies the definition of a business and provides further guidance for evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. ASU 2017-01 is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. Under the ASU, we believe most of our future acquisitions of operating properties will qualify as asset acquisitions and most future transaction costs associated with these acquisitions will be capitalized.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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.

RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. On the Consolidated Balance Sheets, we reclassified assets and liabilities related to properties classified as held for sale and we reclassified debt issuance costs from deferred charges and leasing costs to mortgages payable, as part of our adoption of ASU 2015-03, as described above in Recent Accounting Pronouncements.

REVISION

During the fourth quarter of fiscal year 2017 we identified an error pertaining to the reporting for interest income related to two properties that were classified as discontinued operations at April 30, 2016. Accounting guidance in ASC 205-20, *Discontinued Operations*, indicates that interest income should be allocated to discontinued operations. This error resulted in an overstatement of interest income and income from continuing operations and an understatement of income from discontinued operations of \$2.2 million for the fiscal year ended April 30, 2016. This non-cash error did not impact net income, our consolidated balance sheets or statements of cash flows for any period.

In accordance with accounting guidance found in ASC 250-10, *Materiality*, we assessed the materiality of the error and concluded the error was not material to any of the Company's previously issued financial statements. In accordance with accounting guidance found in ASC 250-10, *Considering the Effects of Prior Year Misstatement when Quantifying Misstatements in Current Year Financial Statements*, we revised our previously issued consolidated statement of operations to correct the effect of this error. We will revise amounts pertaining to each of the fiscal year 2017 quarters from May 1, 2016 through January 31, 2017 in future quarterly filings on Form 10-Q.

The following table presents the effect of this correction on our Consolidated Statement of Operations for the period affected:

Year Ended April 30, 2016	<i>(in thousands, except per share data)</i>		
	As Previously Reported	Adjustment	As Revised
Interest income	\$ 2,256	\$ (2,175)	\$ 81
Income before gain on sale of real estate and other investments, gain on bargain purchase and income from discontinued operations	6,216	(2,175)	4,041
Income from continuing operations	19,280	(2,175)	17,105
Income from discontinued operations	57,322	2,175	59,497
Earnings per common share from continuing operations - Investors Real Estate Trust - basic and diluted	\$ 0.08	\$ (0.02)	\$ 0.06
Earnings per common share from discontinued operations - Investors Real Estate Trust - basic and diluted	0.41	0.02	0.43

REAL ESTATE INVESTMENTS

Real estate investments are recorded at cost less accumulated depreciation and an adjustment for impairment, if any. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price which are subject to adjustment as additional information is obtained, but in no case more than one year after the date of acquisition. We allocate the purchase price based on the relative fair values of the tangible and intangible assets of an acquired property (which includes the land, building and personal property) which are determined by valuing the property as if it were vacant and fair value of the intangible assets (which include in-place leases.) The as-if-vacant value is allocated to land, buildings and personal property based on management's determination of the relative fair values of these assets. The estimated fair value of the property is the amount that would be recoverable upon the disposition of the property. Techniques used to estimate fair value include discounted cash flow analysis and reference to recent sales of comparables. A land value is assigned based on the purchase price if land is acquired separately or based on estimated fair value if acquired in a merger or in a single or portfolio acquisition.

Acquired above- and below-market lease values are recorded as the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of fair market value lease rates for the corresponding in-place leases. The capitalized above- and below-market lease values are amortized as adjustments to rental revenue over the remaining terms of the respective leases, which includes fixed rate renewal options for below-market leases if it is determined probable the tenant will execute a bargain renewal option.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. We use a 20-40 year estimated life for buildings and improvements and a 5-12 year estimated life for furniture, fixtures and equipment.

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

Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Renovations and improvements that improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful life, generally five to ten years. Property sales or dispositions are recorded when title transfers, we have received sufficient consideration and we have no significant involvement with the property sold.

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

During fiscal year 2017, we incurred a non-cash loss of \$57.0 million due to impairment of 16 multifamily properties and two parcels of unimproved land. We recognized impairments of \$40.9 million, \$5.8 million, \$4.7 million, and \$2.8 million, respectively, on three multifamily properties and one parcel of unimproved land in Williston, North Dakota, due to deterioration of this energy-impacted market, which resulted in poor leasing activity and declining rental rates during the three months ended July 31, 2016, which should generally be a strong leasing period. These properties were written-down to estimated fair value based on an independent appraisal in the case of one property and management cash flow estimates and market data in the case of the remaining assets. The properties impaired for \$40.9 million, \$4.7 million, and \$2.8 million are owned by joint venture entities in which, at the time of impairment, we had an approximately 70%, 60% and 70% interest, respectively, but which are consolidated in our consolidated financial statements. We recognized impairments of \$2.9 million on 13 properties and one parcel of land in Minot, North Dakota. These properties were written-down to estimated fair value based on management cash flow estimates and market data and, in the case of the 13 properties, our intent to dispose of the properties.

During fiscal year 2016, we incurred a non-cash loss of \$6.0 million due to impairment of one office property, one healthcare property, two parcels of land and eight multifamily properties of which approximately \$440,000 is reflected in discontinued operations. See Note 12 for additional information on discontinued operations. We recognized impairments of approximately \$440,000 on an office property in Eden Prairie, Minnesota; \$1.9 million on a healthcare property in Sartell, Minnesota; \$1.6 million on a parcel of land in Grand Chute, Wisconsin; \$1.9 million on eight multifamily properties in St. Cloud, Minnesota; and \$162,000 on a parcel of land in River Falls, Wisconsin. These properties were written-down to estimated fair value during fiscal year 2016 based on receipt of individual market offers to purchase and our intent to dispose of the properties or, in the case of the Grand Chute, Wisconsin, the sale listing price and our intent to dispose of the property. The Sartell, Minnesota property is classified as held for sale at April 30, 2016.

During fiscal year 2015, we incurred a non-cash loss of \$6.1 million due to impairment of four commercial properties and two parcels of unimproved land of which \$1.4 million is reflected in discontinued operations. See Note 12 for additional information on discontinued operations. We recognized impairments of \$2.1 million on a retail property in Kalispell, Montana; approximately \$183,000 on an office property in Golden Valley, Minnesota; \$1.8 million on an office property in Minneapolis, Minnesota; \$1.4 million on an office property in Boise, Idaho; approximately \$98,000 on unimproved land in Eagan, Minnesota; and approximately \$442,000 on unimproved land in Weston, Wisconsin. These properties were written-down to estimated fair value during fiscal year 2015 based on receipt of individual market offers to purchase and our intent to dispose of the properties or, in the case of the Boise and Weston properties, an independent appraisal. The Kalispell and Golden Valley properties were sold in the second quarter of fiscal year 2015. The Minneapolis property was classified as held for sale at April 30, 2015.

REAL ESTATE HELD FOR SALE

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal costs. Our determination of fair value is based on inputs management believes are consistent with those that market participants would use. Estimates are significantly impacted by estimates of sales price, selling velocity and other factors. Due to

uncertainties in the estimation process, actual results could differ from such estimates. Depreciation is not recorded on assets classified as held for sale.

We classify properties as held for sale when they meet the GAAP criteria, which include: (a) management commits to and initiates a plan to sell the asset (disposal group), (b) the sale is probable and expected to be completed within one year under terms that are usual and customary for sales of such assets (disposal groups), and (c) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. We generally consider these criteria met when the transaction has been approved by our Board of Trustees, there are no known significant contingencies related to the sale and management believes it is probable that the sale will be completed within one year. Thirteen multifamily properties, two healthcare properties, and two retail properties were classified as held for sale at April 30, 2017. Thirty-five healthcare properties, one multifamily property, one industrial property, and three parcels of unimproved land were classified as held for sale at April 30, 2016.

We report in discontinued operations the results of operations and the related gains or losses on the sales of properties that have either been disposed of or classified as held for sale and meet the classification of a discontinued operation as described in ASC 205 - *Presentation of Financial Statements* and ASC 360 - *Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under this standard, a disposal (or classification as held for sale) of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

IDENTIFIED INTANGIBLE ASSETS AND LIABILITIES AND GOODWILL

Upon acquisition of real estate, we record the intangible assets and liabilities acquired (for example, if the leases in place for the real estate property acquired carry rents above the market rent, the difference is classified as an intangible asset) at their estimated fair value separate and apart from goodwill. We amortize identified intangible assets and liabilities that are determined to have finite lives based on the period over which the assets and liabilities are expected to affect, directly or indirectly, the future cash flows of the real estate property acquired (generally the life of the lease). We added no new intangible assets or liabilities in the twelve months ended April 30, 2017. In the twelve months ended April 30, 2016, we added \$2.2 million of new intangible assets and approximately \$101,000 of new intangible liabilities. The weighted average lives of the intangible assets acquired in the twelve months ended April 30, 2016 was 0.7 years. Amortization of intangibles related to above or below-market leases is recorded in real estate rentals in the Consolidated Statements of Operations. Amortization of other intangibles is recorded in depreciation/amortization related to real estate investments in the Consolidated Statements of Operations. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Our goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill book value as of April 30, 2017 and 2016 was \$1.6 million and \$1.7 million, respectively. The annual reviews of goodwill compared the fair value of the reporting units that have been assigned goodwill to their carrying value (investment cost less accumulated depreciation), with the results for these periods indicating no impairment. In fiscal year 2017, we disposed of four commercial properties that had goodwill assigned, and as a result, approximately \$103,000 of goodwill was derecognized. In fiscal year 2016, we disposed of eight commercial properties that had goodwill assigned, and as a result, approximately \$196,000 of goodwill was derecognized.

PROPERTY AND EQUIPMENT

Property and equipment consists primarily of office equipment contained at our headquarters in Minot, North Dakota, corporate offices in Minneapolis and St. Cloud, Minnesota, and additional property management offices located in the states where we own properties. The Consolidated Balance Sheets reflects these assets at cost, net of accumulated depreciation. As of April 30, 2017 and 2016, property and equipment cost was \$2.1 million and \$2.1 million, respectively. Accumulated depreciation was \$1.2 million and \$1.1 million as of April 30, 2017 and 2016, respectively.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash and highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of our bank deposits and short-term investment certificates acquired subject to repurchase agreements, and our deposits in a money market mutual fund. At times, these deposits may exceed the FDIC limit.

LENDER HOLDBACKS

We have a number of mortgage loans under which the lender retains a portion of the loan proceeds or requires a deposit for the payment of construction costs or tenant improvements. The decrease of \$2.7 million in lender holdbacks for improvements reflected in the Consolidated Statements of Cash Flows for the fiscal year ended April 30, 2017 is due primarily to the release of loan proceeds to us upon completion of these construction and tenant improvement projects, while the increase of \$903,000 represents additional amounts retained by lenders for new projects.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management evaluates the appropriate amount of the allowance for doubtful accounts by assessing the recoverability of individual real estate mortgage loans and rent receivables, through a comparison of their carrying amount with their estimated realizable value. Management considers tenant financial condition, credit history and current economic conditions in establishing these allowances. Receivable balances are written off when deemed uncollectible. Recoveries of receivables previously written off, if any, are recorded when received. A summary of the changes in the allowance for doubtful accounts including properties held for sale for fiscal years ended April 30, 2017, 2016 and 2015 is as follows:

	<i>(in thousands)</i>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 946	\$ 1,156	\$ 1,044
Provision	499	651	967
Write-off	(895)	(861)	(855)
Balance at close of year	<u>\$ 550</u>	<u>\$ 946</u>	<u>\$ 1,156</u>

TAX, INSURANCE, AND OTHER ESCROW

Tax, insurance and other escrow includes funds deposited with a lender for payment of real estate tax and insurance, and reserves for 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

Real estate deposits consist of funds held in escrow to be applied toward the purchase of real estate, including from Internal Revenue Code Section 1031 exchanges, and the payment of debt costs associated with debt placement or refinancing. Real estate deposits at April 30, 2017 consisted of \$23.7 million held in escrow from Internal Revenue Code Section 1031 exchanges. We had no real estate deposits at April 30, 2016.

DEFERRED CHARGES AND LEASING COSTS

Costs incurred in obtaining a line of credit are amortized to interest expense over the term of the line of credit using the straight-line method, which approximates the effective interest method. Costs and commissions incurred in obtaining tenant leases are amortized on the straight-line method over the terms of the related leases.

INCOME TAXES

We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income, excluding capital gains, as a dividend to its shareholders each year and which meets certain other conditions will

not be taxed on that portion of its taxable income which is distributed to shareholders. For the fiscal years ended April 30, 2017, 2016 and 2015, we distributed in excess of 90% of our taxable income and realized capital gains from property dispositions within the prescribed time limits. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates (including any alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even as a REIT, we may be subject to certain state and local income and property taxes, and to federal income and excise taxes on undistributed taxable income. In general, however, if we qualify as a REIT, no provisions for federal income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by a taxable REIT subsidiary (TRS).

We have one TRS, acquired during the second quarter of fiscal year 2014, which is subject to corporate federal and state income taxes on its taxable income at regular statutory rates. For the fiscal year ended April 30, 2017, we estimate that the TRS will have no taxable income. There were no income tax provisions or material deferred income tax items for our TRS for the fiscal years ended April 30, 2017, 2016 and 2015.

We conduct our business activity as an Umbrella Partnership Real Estate Investment Trust (“UPREIT”) through our Operating Partnership. UPREIT status allows us to accept the contribution of real estate in exchange for Units. Generally, such a contribution to a limited partnership allows for the deferral of gain by an owner of appreciated real estate.

Distributions for the calendar year ended December 31, 2016 were characterized, for federal income tax purposes, as 12.43% ordinary income and 87.57% capital gain. Distributions for the calendar year ended December 31, 2015 were characterized, for federal income tax purposes, as 36.28% ordinary income, 11.99% capital gain and 51.73% return of capital.

REVENUE RECOGNITION

Multifamily 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 generally 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 are reflected as receivable arising from straight-lining of rents, net of allowance for doubtful accounts. Rent concessions, including free rent, are amortized on a straight-line basis over the terms of the related leases.

Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. We receive payments for these reimbursements from substantially all of our tenants at multi-tenant commercial properties throughout the 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.

NET INCOME PER SHARE

Basic net income per share is computed as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period. We have no potentially dilutive financial interests. The potential issuance of Units in exchange for common shares pursuant to the Exchange Right will have no effect on net income per share because Unitholders and common shareholders effectively share ratably in the net income of the Operating Partnership.

PROCEEDS FROM FINANCING LIABILITY

During the first quarter of fiscal year 2014, we sold a senior housing property in exchange for \$7.9 million in cash and a \$29.0 million contract for deed which matures August 1, 2018. The buyer leased the property back to us, and also granted us an option to repurchase the property at a specified price at or prior to July 31, 2018. We accounted for the transaction as a financing due to our continuing involvement with the property and recorded the \$7.9 million in sales proceeds within liabilities held for sale and liabilities from discontinued operations on the Consolidated Balance Sheets. The balance of the liability as of April 30, 2017 is \$7.9 million.

VARIABLE INTEREST ENTITY

As discussed in the Recent Accounting Pronouncements section, effective May 1, 2016, we adopted the guidance in ASU 2015-02. As a result, the Operating Partnership and each of our less than wholly-owned real estate partnerships have been deemed to have the characteristics of a variable interest entity (“VIE”). However, we were not required to consolidate any previously unconsolidated entities or deconsolidate any previously consolidated entities as a result of the change in classification. Accordingly, there has been no change to the recognized amounts in our condensed consolidated balance sheets and statements of operations or amounts reported in our condensed consolidated statements of cash flows. We determined that an additional six consolidated partnerships, including the Operating Partnership, are VIEs under the new standard because the limited partners are not able to exercise substantive kick-out or participating rights. We are the VIEs primary beneficiary and the partnerships are required to be consolidated on our balance sheet because we have a controlling financial interest in the VIEs, and have both the power to direct the activities of the VIEs that most significantly impact the VIE’s economic performance as well as the obligation to absorb losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Because the Operating Partnership is a VIE, all of our assets and liabilities are held through a VIE.

GAIN ON BARGAIN PURCHASE

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

NOTE 3 • CREDIT RISK

We are potentially exposed to credit risk for cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts.

We have entered into a cash management arrangement with First Western Bank (the “Bank”) with respect to deposit accounts that exceed FDIC Insurance coverage. On a daily basis, account balances are swept into a repurchase account. The Bank pledges fractional interests in U.S. Government Securities owned by the Bank at an amount equal to the excess over the uncollected balance in the repurchase account. The amounts deposited by us pursuant to the repurchase agreement are not insured by FDIC. At April 30, 2017 and 2016, these amounts totaled \$6.0 million and \$36.7 million, respectively.

NOTE 4 • PROPERTY OWNED

Property, consisting principally of real estate, is stated at cost less accumulated depreciation and totaled \$1.3 billion and \$1.4 billion as of April 30, 2017 and 2016, respectively.

Construction period interest of approximately \$431,000, \$4.9 million and \$4.9 million has been capitalized for the years ended April 30, 2017, 2016 and 2015, respectively.

The future minimum lease receipts to be received under non-cancellable leases for commercial properties held for investment as of April 30, 2017, assuming that no options to renew or buy out the lease are exercised, are as follows:

<u>Year Ended April 30,</u>	<u>(in thousands)</u>
2018	\$ 25,922
2019	24,250
2020	22,695
2021	21,386
2022	19,601
Thereafter.....	120,772
	<u>\$ 234,626</u>

See Real Estate Investments within Note 2 for information about impairment losses recorded during fiscal years 2017, 2016, and 2015.

NOTE 5 • IDENTIFIED INTANGIBLE ASSETS AND LIABILITIES

Our identified intangible assets and intangible liabilities at April 30, 2017 and 2016 were as follows:

	<u>(in thousands)</u>	
	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Identified intangible assets (included in intangible assets):		
Gross carrying amount	\$ 6,102	\$ 8,088
Accumulated amortization	(5,444)	(6,230)
Net carrying amount	<u>\$ 658</u>	<u>\$ 1,858</u>
Identified intangible liabilities (included in other liabilities):		
Gross carrying amount	\$ 156	\$ 159
Accumulated amortization	(76)	(55)
Net carrying amount	<u>\$ 80</u>	<u>\$ 104</u>

Amortization of identified intangible assets (a component of depreciation and amortization expense) was \$1.2 million, \$1.7 million and \$1.5 million for the twelve months ended April 30, 2017, 2016 and 2015, respectively. The estimated annual amortization of identified intangible assets for each of the five succeeding fiscal years is immaterial.

NOTE 6 • NONCONTROLLING INTERESTS

Interests in the Operating Partnership held by limited partners are represented by Units. The Operating Partnership's 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 noncontrolling interests in accordance with the terms of the Operating Partnership's Agreement of Limited Partnership.

We reflect noncontrolling interests in consolidated real estate entities on the Balance Sheet for the portion of properties consolidated by us that are not wholly owned by us. The earnings or losses from these properties attributable to the noncontrolling interests are reflected as net income attributable to noncontrolling interests —consolidated real estate

entities in the Consolidated Statements of Operations. Our noncontrolling interests – consolidated real estate entities at April 30, 2017 and 2016 were as follows:

	<i>(in thousands)</i>	
	April 30, 2017	April 30, 2016
IRET-71 France, LLC	\$ 7,425	\$ 8,070
IRET-Cypress Court Apartments, LLC	986	1,042
IRET-RED 20, LLC	—	2,410
IRET-Williston Garden Apartments, LLC	1,057	3,014
IRET - WRH 1, LLC	(7,904)	5,266
WRH Holding, LLC	360	1,195
Other	—	23
Noncontrolling interests – consolidated real estate entities	\$ 1,924	\$ 21,020

NOTE 7 • LINE OF CREDIT

During the fiscal year ended April 30, 2017, we had a revolving, multi-bank line of credit with First International Bank and Trust, Watford City, North Dakota, as lead bank, which had lending commitments of \$100.0 million (“FIB Line of Credit”). On January 31, 2017, we repaid the FIB Line of Credit in full in the amount of \$17.5 million, along with other fees, and terminated the FIB Line of Credit.

On January 31, 2017, our Operating Partnership entered into a credit agreement for the unsecured, variable interest rate BMO Line of Credit. The BMO Line of Credit contains a \$250 million accordion option, which exercise is subject to the satisfaction of certain conditions. However, the maximum borrowing capacity of the BMO Line of Credit will be based on the value of an unencumbered asset pool (“UAP”). The UAP may not consist of less than 15 properties that meet certain eligibility criteria, and eligible properties may be added and removed from the UAP subject to the satisfaction of certain conditions. The BMO Line of Credit is guaranteed, jointly and severally, by us, the general partner of our Operating Partnership and each subsidiary that owns a UAP property. It will accrue interest at a rate based either on a margin percentage over the Lender’s Base Rate, ranging from 0.6% to 1.25%, or on a margin percentage over LIBOR, ranging from 1.6% to 2.25%, based on our total leverage ratio. The BMO Line of Credit has a termination date of January 31, 2021, which may be extended for an additional one year period subject to the satisfaction of certain conditions. The line also requires the payment of customary fees and contains covenants, representations, warranties and events of default customary for credit facilities of this type, including a covenant on a fiscal quarterly-end basis that the consolidated leverage ratio will not be greater than 0.60 to 1.00. Participants, as of April 30, 2017, included the following financial institutions: BMO Harris Bank N.A., KeyBank, National Association, PNC Bank, National Association, Royal Bank of Canada, U.S. Bank National Association, Associated Bank, National Association, Bank of North Dakota and Raymond James Bank, N.A.; with KeyBank, National Association and PNC Bank, National Association as syndication agents and BMO Capital Markets Corp., Keybank Capital Markets Inc. and PNC Capital Markets, LLC as joint lead arrangers and joint book runners. As of April 30, 2017, the line of credit availability was \$206.0 million based on the UAP, of which \$57.1 million was drawn on the line, priced at an interest rate of 2.74%. As of April 30, 2017, we believe we and our Operating Partnership were in compliance with the covenants contained in the BMO Line of Credit.

Financial Institution	<i>(in thousands)</i>			Applicable Interest Rate as of April 30, 2017	Maturity Date	Weighted Average Int. Rate on Borrowings during fiscal year 2017
	Amount Available	Amount Outstanding as of April 30, 2017	Amount Outstanding as of April 30, 2016			
First International Bank & Trust	\$ —	\$ —	\$ 17,500	n/a	n/a	n/a
BMO Harris Bank N.A.	\$ 206,000	\$ 57,050	\$ —	2.74 %	1/31/2021	2.67%

NOTE 8 • MORTGAGES PAYABLE AND CONSTRUCTION DEBT

Most of our properties serve as collateral for separate mortgage loans on single properties or groups of properties. The majority of these mortgage loans are non-recourse to us, other than for standard carve-out obligations such as fraud, waste, failure to insure, environmental conditions and failure to pay real estate taxes. Interest rates on mortgage loans range from 3.28% to 6.66%, and the mortgage loans have varying maturity dates from May 28, 2017 through July 1, 2036. As of April 30, 2017, we believe there are no material defaults or material compliance issues in regards to any of these mortgage loans.

Including mortgage loans on properties held for sale, the balance of fixed rate mortgage loans totaled \$629.5 million and \$689.3 million at April 30, 2017 and 2016, respectively, and the balance of variable rate mortgage loans totaled \$57.7 million and \$196.8 million as of April 30, 2017, and 2016, respectively. We do not utilize derivative financial instruments to mitigate our exposure to changes in market interest rates. Most of the fixed rate mortgage loans have substantial pre-payment penalties. As of April 30, 2017, the weighted-average rate of interest on our mortgage debt was 4.71%, compared to 4.54% on April 30, 2016. The aggregate amount of required future principal payments on mortgage loans payable as of April 30, 2017, is as follows:

Year Ended April 30,	<i>(in thousands)</i>	
	Mortgage Loans on Properties	Mortgage Loans on Properties
	Held for Investment	Held for Sale
2018	\$ 40,777	\$ 16,621
2019	75,918	1,870
2020	93,678	183
2021	136,390	193
2022	87,654	993
Thereafter	231,023	1,943
<u>Total payments</u>	<u>\$ 665,440</u>	<u>\$ 21,803</u>

In addition to mortgage loans comprising our \$687.2 million of mortgage indebtedness, our revolving, multi-bank unsecured line of credit is discussed in Note 7. This line of credit is not included in our mortgage indebtedness total. As of April 30, 2017, we had 56 unencumbered properties.

Our construction debt totaled \$41.7 million and \$82.0 million on April 30, 2017 and 2016, respectively. The weighted average rate of interest on the construction debt as of April 30, 2017 was 3.27%, compared to 2.74% as of April 30, 2016. The total available to be drawn on the construction loans was \$4.8 million at April 30, 2017.

NOTE 9 • TRANSACTIONS WITH RELATED PARTIES

BANKING SERVICES – FIRST INTERNATIONAL BANK AND TRUST

We have an ongoing banking relationship with First International Bank. Prior to his declination to stand for reelection on September 19, 2016, Stephen L. Stenehjem, was a member of our Board of Trustees. Mr. Stenehjem is the Chief Executive Officer and Chairman of First International Bank and the Chief Executive Officer of Watford City BancShares, Inc., its bank holding company, and the bank holding company is owned by Mr. Stenehjem and members of his family.

We had two mortgage loans outstanding with First International Bank as of April 30, 2017, with original principal balances of \$43.0 million (Renaissance Heights I) and \$27.0 million (Commons and Landing at Southgate), respectively, and bearing variable interest at 5.24% per annum and fixed interest at 4.04% per annum. We paid interest on these loans of approximately \$1.7 million and \$579,000 in fiscal year 2017, respectively. Prior to January 31, 2017, we had a multi-bank line of credit with a capacity of \$100.0 million, of which First International Bank was the lead bank and a participant with an \$11.0 million commitment. In fiscal year 2017, we paid First International Bank a total of approximately \$106,000 in interest on First International Bank's portion of the outstanding balance of this credit line, and paid fees of approximately \$56,000. In connection with this multi-bank line of credit, we maintained compensating

balances with First International Bank totaling \$6.0 million, of which \$1.5 million is held in a non-interest bearing account, and \$4.5 million was held in an account that paid us interest on the deposited amount of 0.20% per annum. We also maintained checking accounts with First International Bank. In fiscal year 2017, we paid less than \$900 in total in various bank service and other fees charged on these checking accounts.

In fiscal years 2016 and 2015, we paid interest and fees on outstanding mortgage and construction loans of approximately \$2.2 million and \$1.7 million respectively. In fiscal years 2016 and 2015, respectively, we paid First International Bank \$186,000 and \$245,000 in interest on First International Bank's portion of the multi-bank line of credit and paid fees of \$77,000 and \$40,000. Also in both fiscal years 2016 and 2015, we paid under \$500 in total in various bank service and other fees charged on checking accounts maintained with First International Bank. Total payments of interest and fees from us to First International Bank were approximately \$2.4 million, \$2.5 million and \$2.0 million in fiscal years 2017, 2016 and 2015, respectively.

NOTE 10 • ACQUISITIONS, DEVELOPMENT PROJECTS PLACED IN SERVICE AND DISPOSITIONS

PROPERTY ACQUISITIONS

We added no new real estate properties to our portfolio through property acquisitions during the fiscal year ended April 30, 2017, compared to \$143.5 million in fiscal year ended April 30, 2016. We expensed approximately \$253,000 of transaction costs related to the acquisitions in fiscal year 2016. The fiscal year 2016 acquisitions are detailed below.

Fiscal 2016 (May 1, 2015 to April 30, 2016)

Acquisitions	Date Acquired	Total Acquisition Cost	(in thousands)		Investment Allocation		
			Form of Consideration		Land	Building	Intangible Assets
			Cash	Units ⁽¹⁾			
<i>Multifamily</i>							
74 unit - Gardens - Grand Forks, ND	2015-09-10	\$ 9,250	\$ 8,850	\$ 400	\$ 518	\$ 8,672	\$ 60
276 unit - GrandeVille at Cascade Lake - Rochester, MN	2015-10-29	56,000	56,000	—	5,003	50,363	634
187 unit - Avalon Cove - Rochester, MN ⁽²⁾	2016-03-22	36,250	15,000	17,826	1,616	34,145	489
90 unit - Cascade Shores - Rochester, MN	2016-03-22	18,500	18,500	—	1,585	16,710	205
76 unit - Crystal Bay - Rochester, MN	2016-03-22	12,000	12,000	—	433	11,425	142
40-unit - French Creek - Rochester, MN	2016-03-22	5,000	5,000	—	201	4,735	64
		137,000	115,350	18,226	9,356	126,050	1,594
<i>Healthcare</i>							
27,819 sq ft Lakeside Medical Plaza - Omaha, NE	2015-08-20	6,500	6,500	—	903	5,109	488
Total Property Acquisitions		\$ 143,500	\$ 121,850	\$ 18,226	\$10,259	\$131,159	\$ 2,082

- (1) Value of Units of the Operating Partnership based on the closing market price of our common shares on the acquisition date. The number of Units issued were approximately 44,000 and 2.5 million, respectively, for the Gardens and Avalon Cove acquisitions.
- (2) Acquisition resulted in a gain on bargain purchase of approximately \$3.4 million. See Note 2 for additional information.

There were no acquisitions during fiscal year 2017. Acquisitions in fiscal year 2016 are immaterial to our real estate portfolio both individually and in the aggregate, and consequently no proforma information is presented. The results of operations from acquired properties are included in the Consolidated Statements of Operations as of their acquisition date. The revenue and net income of our fiscal year 2017 and 2016 acquisitions are detailed below.

Year Ended April 30,	<i>(in thousands)</i>	
	2017	2016
Total revenue	\$ —	\$ 4,094
Net income (loss).	\$ —	\$ (366)

DEVELOPMENT PROJECTS PLACED IN SERVICE

We placed approximately \$102.9 million of development projects in service during fiscal year 2017, compared to \$211.8 million in fiscal year 2016. The fiscal year 2017 and 2016 development projects placed in service are detailed below.

Fiscal 2017 (May 1, 2016 to April 30, 2017)

Development Projects Placed in Service	Date Placed in Service	<i>(in thousands)</i>		
		Land	Building	Development Cost
<i>Multifamily</i>				
241 unit - 71 France - Edina, MN ⁽¹⁾	2016-05-01	\$ 4,721	\$ 67,641	\$ 72,362
202 unit - Monticello Crossings - Monticello, MN ⁽²⁾	2017-03-01	1,734	28,782	30,516
Total Development Projects Placed in Service		\$ 6,455	\$ 96,423	\$ 102,878

- (1) Costs paid in prior fiscal years totaled \$70.9 million. Additional costs incurred in fiscal year 2017 totaled \$1.5 million, for a total project cost at April 30, 2017 of \$72.4 million. The project is owned by a joint venture entity in which we currently have an approximately 52.6% interest. The joint venture is consolidated in our financial statements.
- (2) Costs paid in prior fiscal years totaled \$15.5 million. Additional costs incurred in fiscal year 2017 totaled \$15.0 million, for a total project cost at April 30, 2017 of \$30.5 million.

Fiscal 2016 (May 1, 2015 to April 30, 2016)

Development Projects Placed in Service ⁽¹⁾	Date Placed in Service	<i>(in thousands)</i>		
		Land	Building	Development Cost
<i>Multifamily</i>				
72 unit - Chateau II - Minot, ND ⁽²⁾	2015-06-01	\$ 240	\$ 14,408	\$ 14,648
288 unit - Renaissance Heights - Williston, ND ⁽³⁾	2015-07-27	3,080	59,434	62,514
163 unit - Deer Ridge - Jamestown, ND ⁽⁴⁾	2016-02-22	700	24,137	24,837
251 unit - Cardinal Point - Grand Forks, ND ⁽⁵⁾	2016-03-18	1,600	48,132	49,732
		5,620	146,111	151,731
<i>Healthcare</i>				
57,624 sq ft Edina 6565 France SMC III - Edina, MN ⁽⁶⁾	2015-06-01	—	33,041	33,041
70,756 sq ft PrairieCare Medical - Brooklyn Park, MN ⁽⁷⁾	2015-09-08	2,610	21,830	24,440
		2,610	54,871	57,481
<i>Other</i>				
7,963 sq ft Minot Southgate Retail - Minot, ND ⁽⁸⁾	2015-10-01	889	1,734	2,623
Total Development Projects Placed in Service		\$ 9,119	\$ 202,716	\$ 211,835

- (1) Development projects that are placed in service in phases are excluded from this table until the entire project has been placed in service. See Note 15 for additional information on the 71 France project, which was partially placed in service during the fiscal year ended April 30, 2016.
- (2) Costs paid in prior fiscal years totaled \$12.3 million. Additional costs incurred in fiscal year 2016 totaled \$2.3 million, for a total project cost at April 30, 2016 of \$14.6 million.
- (3) Costs paid in prior fiscal years totaled \$57.7 million. Additional costs incurred in fiscal year 2016 totaled \$4.8 million, for a total project cost at April 30, 2016 of \$62.5 million. The project is owned by a joint venture entity in which we currently have an approximately 86.6% interest. The joint venture is consolidated in our financial statements.
- (4) Costs paid in prior fiscal years totaled \$14.3 million. Additional costs incurred in fiscal year 2016 totaled \$10.5 million, for a total project cost at April 30, 2016 of \$24.8 million.
- (5) Costs paid in prior fiscal years totaled \$23.0 million. Additional costs incurred in fiscal year 2016 totaled \$26.7 million, for a total project cost at April 30, 2016 of \$49.7 million.
- (6) Costs paid in prior fiscal years totaled \$20.8 million. Additional costs incurred in fiscal year 2016 totaled \$12.2 million, for a total project cost at April 30, 2016 of \$33.0 million.
- (7) Costs paid in prior fiscal years totaled \$17.3 million. Additional costs incurred in fiscal year 2016 totaled \$7.1 million, for a total project cost at April 30, 2016 of \$24.4 million.
- (8) Costs paid in prior fiscal years totaled \$2.1 million. Additional costs incurred in fiscal year 2016 totaled approximately \$500,000, for a total project cost at April 30, 2016 of \$2.6 million.

PROPERTY DISPOSITIONS

During the fiscal year ended April 30, 2017, we sold 1 multifamily property, 32 senior housing properties, 2 medical office properties, 1 retail property, 1 industrial property and 2 parcels of unimproved land for a total sales price of \$286.9 million. Dispositions totaled \$536.7 million in fiscal year 2016. The fiscal year 2017 and 2016 dispositions are detailed below.

Fiscal 2017 (May 1, 2016 to April 30, 2017)

Dispositions	Date Disposed	(in thousands)		
		Sales Price	Book Value and Sales Cost	Gain/(Loss)
<i>Multifamily</i>				
24 unit Pinecone Villas - Sartell, MN	2017-04-20	\$ 3,540	\$ 2,732	\$ 808
<i>Healthcare</i>				
189,244 sq ft 9 Idaho Spring Creek Senior Housing Properties ⁽¹⁾	2016-10-31	43,900	37,397	6,503
426,652 sq ft 5 Edgewood Vista Senior Housing Properties ⁽²⁾	2017-01-18	69,928	50,393	19,535
286,854 sq ft 5 Wyoming Senior Housing Properties ⁽³⁾	2017-02-01	49,600	45,469	4,131
169,001 sq ft 9 Edgewood Vista Senior Housing Properties ⁽⁴⁾	2017-02-15	30,700	24,081	6,619
169,562 sq ft 4 Edgewood Vista Senior Housing Properties ⁽⁵⁾	2017-03-01	35,348	14,511	20,837
114,316 sq ft Healtheast St. John & Woodwinds - Maplewood & Woodbury MN	2017-03-06	20,700	13,777	6,923
59,760 sq ft Sartell 2000 23rd Street South - Sartell, MN	2017-03-31	5,600	5,923	(323)
98,174 sq ft Legends at Heritage Place - Sartell, MN	2017-04-20	9,960	11,439	(1,479)
		265,736	202,990	62,746
<i>Other</i>				
195,075 sq ft Stone Container - Fargo, ND	2016-07-25	13,400	4,418	8,982
28,528 sq ft Grand Forks Carmike - Grand Forks, ND	2016-12-29	4,000	1,563	2,437
		17,400	5,981	11,419
<i>Unimproved Land</i>				
Georgetown Square Unimproved Land - Grand Chute, WI	2016-05-06	250	274	(24)
Total Property Dispositions		\$ 286,926	\$ 211,977	\$ 74,949

- (1) The properties included in this portfolio are: Spring Creek American Falls, Spring Creek Boise, Spring Creek Eagle, Spring Creek Fruitland, Spring Creek Fruitland Unimproved, Spring Creek Meridian, Spring Creek Overland, Spring Creek Soda Springs and Spring Creek Ustick.
- (2) The properties included in this portfolio are: Edgewood Vista Bismarck, Edgewood Vista Brainerd, Edgewood Vista East Grand Forks, Edgewood Vista Fargo, and Edgewood Vista Spearfish.
- (3) The properties included in this portfolio are: Casper 1930 E 12th Street (Park Place), Casper 3955 E 12th Street (Meadow Wind), Cheyenne 4010 N College Drive (Aspen Wind), Cheyenne 4606 N College Drive (Sierra Hills) and Laramie 1072 N 22nd Street (Spring Wind).
- (4) The properties included in this portfolio are: Edgewood Vista Belgrade, Edgewood Vista Billings, Edgewood Vista Columbus, Edgewood Vista Fremont, Edgewood Vista Grand Island, Edgewood Vista Minot, Edgewood Vista Missoula, Edgewood Vista Norfolk and Edgewood Vista Sioux Falls.
- (5) The properties included in this portfolio are: Edgewood Vista Hastings, Edgewood Vista Kalispell, Edgewood Vista Omaha and Edgewood Vista Virginia.

Fiscal 2016 (May 1, 2015 to April 30, 2016)

Dispositions	Date Disposed	(in thousands)		
		Sales Price	Book Value and Sales Cost	Gain/(Loss)
<i>Multifamily</i>				
391 unit - St. Cloud Student Housing Portfolio - St. Cloud, MN	2016-03-24	\$ 5,615	\$ 5,647	\$ (32)
<i>Healthcare</i>				
61,758 sq ft Nebraska Orthopaedic Hospital - Omaha, NE	2016-04-01	24,494	16,512	7,982
<i>Other</i>				
117,144 sq ft Thresher Square – Minneapolis, MN	2015-05-18	7,000	7,175	(175)
2,549,222 sq ft Office Sale Portfolio ⁽¹⁾	2015-08-03	250,000	231,908	18,092
420,216 sq ft Mendota Office Center Portfolio – Mendota Heights, MN ⁽²⁾	2015-08-12	40,000	41,574	(1,574)
1,027,208 sq ft Retail Sale Portfolio ⁽³⁾	2015-09-30	78,960	72,000	6,960
48,700 sq ft Eden Prairie 6101 Blue Circle Drive – Eden Prairie, MN	2015-10-19	2,900	2,928	(28)
8,526 sq ft Burnsville I Strip Center – Burnsville, MN	2015-12-23	1,300	913	387
4,800 sq ft Pine City C-Store – Pine City, MN	2016-01-08	300	355	(55)
11,003 sq ft Minot Plaza – Minot, ND	2016-01-19	1,854	393	1,461
937,518 sq ft 9-Building Office Portfolio ⁽⁴⁾⁽⁵⁾	2016-01-29	122,610 ⁽⁵⁾	86,154 ⁽⁵⁾	36,456 ⁽⁵⁾
3,702 sq ft Arrowhead First International Bank - Minot, ND	2016-04-06	1,675	1,255	420
		506,599	444,655	61,944
<i>Unimproved Land</i>				
River Falls Unimproved Land - River Falls, WI	2016-04-06	20	21	(1)
Total Property Dispositions		\$ 536,728	\$ 466,835	\$ 69,893

- The properties included in this portfolio disposition are: 610 Business Center, 7800 West Brown Deer Road, Ameritrade, Barry Pointe Office Park, Benton Business Park, Brenwood, Brook Valley I, Crosstown Centre, Golden Hills Office Center, Granite Corporate Center, Great Plains, Highlands Ranch I, Highlands Ranch II, Interlachen Corporate Center, Intertech Building, Minnesota National Bank, Northpark Corporate Center, Omaha 10802 Farnam Dr, Plaza VII, Plymouth 5095 Nathan Lane, Prairie Oak Business Center, Rapid City 900 Concourse Drive, Spring Valley IV, Spring Valley V, Spring Valley X, Spring Valley XI, Superior Office Building, TCA Building & vacant land, Three Paramount Plaza, UHC Office, US Bank Financial Center, Wells Fargo Center, West River Business Park and Westgate.
- The properties included in this portfolio disposition are: Mendota Office Center I, Mendota Office Center II, Mendota Office Center III, Mendota Office Center IV and American Corporate Center.
- The properties included in this portfolio disposition are: Champlin South Pond, Chan West Village, Duluth 4615 Grand, Duluth Denfeld Retail, Forest Lake Auto, Forest Lake Westlake Center, Grand Forks Medpark Mall, Jamestown Buffalo Mall, Jamestown Business Center, Lakeville Strip Center, Monticello C Store & vacant land, Omaha Barnes & Noble, Pine City Evergreen Square, Rochester Maplewood Square and St. Cloud Westgate.
- The properties included in this portfolio disposition are: Corporate Center West, Farnam Executive Center, Flagship Corporate Center, Gateway Corporate Center, Miracle Hills One, Pacific Hills, Riverport, Timberlands, and Woodlands Plaza IV.
- On January 29, 2016, we transferred ownership of nine properties to the mortgage lender on a \$122.6 million non-recourse loan and removed the debt obligation and accrued interest from our balance sheet. The properties had an estimated fair value of \$89.3 million on the transfer date. Upon completion of this transfer, we recognized a gain on extinguishment of debt of \$36.5 million, representing the difference between the loan and accrued interest payable extinguished over the carrying value of the properties, cash, accounts payable and accounts receivable transferred as of the transfer date and related closing costs.

NOTE 11 • OPERATING SEGMENTS

We report our results in two reportable segments, which are aggregations of similar properties: multifamily and healthcare. Segment information in this report is presented based on net operating income (“NOI”), which we define as total real estate revenues less real estate expenses (which consist of utilities, maintenance, real estate taxes, insurance, property management expenses and other property expenses). We believe that NOI is an important supplemental measure of operating performance for a REIT’s operating real estate because it provides a measure of core operations that is unaffected by depreciation, amortization, financing and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, net income available for common shareholders or cash flow from operating activities as a measure of financial performance. The following tables present real estate revenues and net operating income for the fiscal years ended April 30, 2017, 2016 and 2015 from our two reportable segments, and reconcile net operating income of reportable segments to net income as reported in the consolidated financial statements. Segment assets are also reconciled to Total Assets as reported in the consolidated financial statements.

(in thousands)

Year Ended April 30, 2017	Multifamily	Healthcare	All Other	Amounts Not Allocated To Segments⁽¹⁾	Total
Real estate revenue	\$ 144,743	\$ 49,856	\$ 11,139	—	\$ 205,738
Real estate expenses	63,292	16,419	3,024	5,620	88,355
Net operating income (loss)	\$ 81,451	\$ 33,437	\$ 8,115	(5,620)	117,383
Depreciation and amortization					(55,009)
Impairment of real estate investments					(57,028)
General and administrative expenses					(12,075)
Acquisition and investment related costs					(3,276)
Other expenses					(3,796)
Interest expense					(41,127)
Loss on debt extinguishment					(3,099)
Interest and other income					1,176
Loss before gain on sale of real estate and other investments and income from discontinued operations					(56,851)
Gain on sale of real estate and other investments					18,701
Loss from continuing operations					(38,150)
Income from discontinued operations					68,675
Net income					\$ 30,525

(in thousands)

Year Ended April 30, 2016	Multifamily	Healthcare	All Other	Amounts Not Allocated To Segments⁽¹⁾	Total
Real estate revenue	\$ 131,149	\$ 45,621	\$ 11,550	\$ —	\$ 188,320
Real estate expenses	57,130	15,439	2,500	4,031	79,100
Net operating income (loss)	\$ 74,019	\$ 30,182	\$ 9,050	\$ (4,031)	109,220
Depreciation and amortization					(49,832)
Impairment of real estate investments					(5,543)
General and administrative expenses					(11,267)
Acquisition and investment related costs					(830)
Other expenses					(2,231)
Interest expense					(35,768)
Loss on debt extinguishment					(106)
Interest and other income					398
Income before gain on sale of real estate and other investments					4,041
Gain on sale of real estate and other investments					9,640
Gain on bargain purchase					3,424
Income from continuing operations					17,105
Income from discontinued operations					59,497
Net income					\$ 76,602

(1) Consists of offsite costs associated with property management and casualty-related amounts, which are excluded in our assessment of segment performance.

Year Ended April 30, 2015	<i>(in thousands)</i>				Total
	Multifamily	Healthcare	All Other	Amounts Not Allocated To Segments ⁽¹⁾	
Real estate revenue	\$ 118,526	\$ 44,153	\$ 16,642	\$ —	\$ 179,321
Real estate expenses	48,668	15,244	5,260	3,965	73,137
Net operating income (loss)	\$ 69,858	\$ 28,909	\$ 11,382	\$ (3,965)	106,184
Depreciation and amortization					(42,784)
Impairment of real estate investments					(4,663)
General and administrative expenses					(11,824)
Acquisition and investment related costs					(362)
Other expenses					(1,647)
Interest expense					(34,447)
Interest and other income					780
Income before loss on sale of real estate and other investments and loss from discontinued operations					11,237
Gain on sale of real estate and other investments					6,093
Income from continuing operations					17,330
Income from discontinued operations					11,354
Net income					\$ 28,684

(1) Consists of offsite costs associated with property management and casualty-related amounts, which are excluded in our assessment of segment performance.

Segment Assets and Accumulated Depreciation

As of April 30, 2017	<i>(in thousands)</i>			
	Multifamily	Healthcare	All Other	Total
Segment assets				
Property owned	\$ 1,260,541	\$ 323,148	\$ 93,792	\$ 1,677,481
Less accumulated depreciation	(232,592)	(86,139)	(21,686)	(340,417)
Total property owned	\$ 1,027,949	\$ 237,009	\$ 72,106	\$ 1,337,064
Assets held for sale and assets from discontinued operations				37,708
Cash and cash equivalents				28,819
Receivables and other assets				52,468
Unimproved land				18,455
Total Assets				\$ 1,474,514

As of April 30, 2016	<i>(in thousands)</i>			
	Multifamily	Healthcare	All Other	Total
Segment assets				
Property owned	\$ 1,243,909	\$ 337,920	\$ 99,642	\$ 1,681,471
Less accumulated depreciation	(209,156)	(83,558)	(20,175)	(312,889)
Total property owned	\$ 1,034,753	\$ 254,362	\$ 79,467	\$ 1,368,582
Assets held for sale and assets from discontinued operations				220,537
Cash and cash equivalents				66,698
Other investments				50
Receivables and other assets				26,535
Development in progress				51,681
Unimproved land				20,939
Total Assets				\$ 1,755,022

NOTE 12 • DISCONTINUED OPERATIONS

We report in discontinued operations the results of operations and the related gains or losses on the sales of properties that have either been disposed of or classified as held for sale and meet the classification of a discontinued operation as described in ASC 205 - *Presentation of Financial Statements* and ASC 360 - *Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under this standard, a disposal (or classification as held for sale) of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

We classified no dispositions as discontinued operations during the fiscal year ended April 30, 2017. During the fiscal year ended April 30, 2016, we determined that our strategic plan to exit the office and retail segments met the criteria for discontinued operations. Accordingly, 48 office properties, 17 retail properties and 1 healthcare property were classified as discontinued operations and subsequently sold during the fiscal year ended April 30, 2016. Additionally, we determined that our strategic decision to exit senior housing, which was a subset of our healthcare segment, met the criteria for discontinued operations and we classified 34 senior housing properties as held for sale and discontinued operations at April 30, 2016. Thirty-two of these senior housing properties were subsequently sold during the fiscal year ended April 30, 2017. We classified no dispositions as discontinued operations during the fiscal year ended April 30, 2015. The following information shows the effect on net income and the gains or losses from the sale of properties classified as discontinued operations for the fiscal years ended April 30, 2017, 2016 and 2015.

	<i>(in thousands)</i>		
	Year Ended April 30,		
	2017	2016	2015
REVENUE			
Real estate rentals	\$ 16,405	\$ 43,544	\$ 75,883
Tenant reimbursement	226	8,684	24,466
TRS senior housing revenue	3,218	3,955	3,520
TOTAL REVENUE	19,849	56,183	103,869
EXPENSES			
Property operating expenses, excluding real estate taxes	75	10,252	23,517
Real estate taxes	—	5,777	14,343
Depreciation and amortization	16	14,166	27,823
Impairment of real estate investments	—	440	1,442
TRS senior housing expenses	3,113	3,366	2,997
Other expenses	—	—	1
TOTAL EXPENSES	3,204	34,001	70,123
Operating income	16,645	22,182	33,746
Interest expense ⁽¹⁾	(4,815)	(18,406)	(24,573)
Gain/loss on extinguishment of debt ⁽¹⁾	(1,790)	29,336	—
Interest income	2,176	2,176	2,176
Other income	313	427	5
Income from discontinued operations before gain on sale	12,529	35,715	11,354
Gain on sale of discontinued operations	56,146	23,782	—
INCOME FROM DISCONTINUED OPERATIONS	\$ 68,675	\$ 59,497	\$ 11,354
Segment Data			
Healthcare	\$ 68,362	\$ 8,101	\$ 9,008
All other	313	51,396	2,346
Total	\$ 68,675	\$ 59,497	\$ 11,354

- (1) Interest expense includes \$4.7 million and approximately \$528,000 for fiscal years ended April 30, 2016 and 2015, respectively, of default interest related to a \$122.6 million non-recourse loan. Gain on extinguishment of debt in the fiscal year ended April 30, 2016 includes \$36.5 million of gain on extinguishment of debt recognized in connection with our transfer of ownership to the mortgage lender of the nine properties serving as collateral for the \$122.6 million non-recourse loan and the removal of the debt obligation and accrued interest from our balance sheet.

	<i>(in thousands)</i>		
	2017	2016	2015
Property Sale Data			
Sales price	239,436	\$ 373,460	\$ —
Net book value and sales costs	(183,290)	(349,678)	—
Gain on sale of discontinued operations	56,146	\$ 23,782	\$ —

The following information reconciles the carrying amounts of major classes of assets and liabilities of the discontinued operations to assets and liabilities held for sale that are presented separately on the Condensed Consolidated Balance Sheets:

	<i>(in thousands)</i>	
	April 30, 2017	April 30, 2016
Carrying amounts of major classes of assets included as part of discontinued operations		
Property owned and intangible assets, net of accumulated depreciation and amortization	\$ 21,332	\$ 189,900
Receivable arising from straight-lining of rents	2,283	9,805
Accounts receivable	—	1,707
Prepaid and other assets	—	43
Tax, insurance and other escrow	—	670
Property and equipment	—	479
Goodwill	14	18
Total major classes of assets of the discontinued operations	23,629	202,622
Other assets included in the disposal group classified as held for sale	14,079	17,915
Total assets of the disposal group classified as held for sale on the balance sheet.	\$ 37,708	\$ 220,537

Carrying amounts of major classes of liabilities included as part of discontinued operations		
Accounts payable and accrued expenses	\$ 52	\$ 810
Mortgages payable	16,226	67,940
Other	7,900	7,900
Total major classes of liabilities of the discontinued operations	24,178	76,650
Other liabilities included in the disposal group classified as held for sale	5,884	838
Total liabilities of the disposal group classified as held for sale on the balance sheet	\$ 30,062	\$ 77,488

NOTE 13 • EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. We have no outstanding options, warrants, convertible stock or other contractual obligations requiring issuance of additional common shares that would result in a dilution of earnings. Pursuant to the exercise of Exchange Rights, Units may be tendered for redemption for cash or, at our option, for common shares on a one-for-one basis. The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted earnings per share reported in the consolidated financial statements for the fiscal years ended April 30, 2017, 2016 and 2015:

	For Year Ended April 30,		
	<i>(in thousands, except per share data)</i>		
	2017	2016	2015
NUMERATOR			
(Loss) income from continuing operations – Investors Real Estate Trust	\$ (17,340)	\$ 18,651	\$ 14,083
Income from discontinued operations – Investors Real Estate Trust	60,687	53,355	10,004
Net income attributable to Investors Real Estate Trust	43,347	72,006	24,087
Dividends to preferred shareholders	(10,546)	(11,514)	(11,514)
Redemption of preferred shares	(1,435)	—	—
Numerator for basic earnings per share – net income available to common shareholders	31,366	60,492	12,573
Noncontrolling interests – Operating Partnership	4,059	7,032	1,526
Numerator for diluted earnings per share	\$ 35,425	\$ 67,524	\$ 14,099
DENOMINATOR			
Denominator for basic earnings per share weighted average shares	121,169	123,094	118,004
Effect of redeemable operating partnership units	16,130	14,278	16,594
Denominator for diluted earnings per share	137,299	137,372	134,598
(Loss) earnings per common share from continuing operations – Investors Real Estate Trust – basic and diluted	\$ (0.24)	\$ 0.06	\$ 0.02
Earnings per common share from discontinued operations – Investors Real Estate Trust – basic and diluted	0.50	0.43	0.09
NET INCOME PER COMMON SHARE – BASIC & DILUTED	\$ 0.26	\$ 0.49	\$ 0.11

NOTE 14 • RETIREMENT PLANS

We sponsor a defined contribution 401(k) plan to provide retirement benefits for employees that meet minimum employment criteria. We currently match, dollar for dollar, employee contributions to the 401(k) plan in an amount equal to up to 4.0% of the eligible wages of each participating employee. 401(k) matching contributions are fully vested when made. We recognized expense of approximately \$565,000, \$836,000 and \$1.0 million in fiscal years 2017, 2016 and 2015, respectively. The expense decreased from fiscal year 2016 to fiscal year 2017 because fiscal year 2016 included a 3.5% discretionary employer contribution. The decrease in cost from fiscal year 2015 to fiscal year 2016 was due to a decrease in discretionary employer contribution.

NOTE 15 • COMMITMENTS AND CONTINGENCIES

Ground Leases. As of April 30, 2017, we are a tenant under operating ground or air rights leases on seven of our properties. We pay a total of approximately \$330,000 per year in rent under these ground leases, which have remaining terms ranging from 14 to 39 years, and expiration dates ranging from February 2031 to October 2055. We have renewal options for three of the seven ground leases, and rights of first offer or first refusal for the remainder.

The expected timing of ground and air rights lease payments as of April 30, 2017 is as follows:

<u>Fiscal Year Ended April 30,</u>	<u>(in thousands)</u>	
	<u>Lease Payments</u>	
2018	\$	331
2019		332
2020		333
2021		335
2022		336
Thereafter		8,167
<u>Total</u>	<u>\$</u>	<u>9,834</u>

Legal Proceedings. We are involved in various lawsuits arising in the normal course of business. We believe that such matters will not have a material adverse effect on our consolidated financial statements.

Environmental Matters. It is generally our policy to obtain a Phase I environmental assessment of each property that we seek to acquire. Such assessments have not revealed, nor are we aware of, any environmental liabilities that we believe would have a material adverse effect on our financial position or results of operations. We own properties that contain or potentially contain (based on the age of the property) asbestos or lead, or have underground fuel storage tanks. For certain of these properties, we estimated the fair value of the conditional asset retirement obligation and chose not to book a liability because the amounts involved were immaterial. With respect to certain other properties, we have not recorded any related asset retirement obligation as the fair value of the liability cannot be reasonably estimated due to insufficient information. We believe we do not have sufficient information to estimate the fair value of the asset retirement obligations for these properties because a settlement date or range of potential settlement dates has not been specified by others and, additionally, there are currently no plans or expectation of plans to demolish these properties or to undertake major renovations that would require removal of the asbestos, lead and/or underground storage tanks. These properties are expected to be maintained by repairs and maintenance activities that would not involve the removal of the asbestos, lead and/or underground storage tanks. Also, a need for renovations caused by tenant changes, technology changes or other factors has not been identified.

Tenant Improvements. In entering into leases with tenants, we may commit to fund improvements or build-outs of the rented space to suit tenant requirements. These tenant improvements are typically funded at the beginning of the lease term, and we are accordingly exposed to some risk of loss if a tenant defaults prior to the expiration of the lease term, and the rental income that was expected to cover the cost of the tenant improvements is not received. As of April 30, 2017, we are committed to fund \$4.3 million in tenant improvements within approximately the next 12 months.

Purchase Options. Under certain lease agreements, we have granted options to the tenants of properties to purchase such properties. In general, these options grant the tenant the right to purchase the property at the greater of such property's appraised value or an annual compounded increase of a specified percentage of the initial cost to us. As of April 30, 2017, two of our properties were subject to purchase options, and the total investment cost, plus improvements, of all such properties was \$27.3 million with total gross rental revenues in fiscal year 2017 of \$2.7 million.

Insurance. We carry insurance coverage on our properties in amounts and types that we believe are customarily obtained by owners of similar properties and are sufficient to achieve our risk management objectives.

Restrictions on Taxable Dispositions. Approximately 30 of our properties, consisting of approximately 431,000 square feet of our combined commercial properties and 3,285 apartment units, are subject to restrictions on taxable dispositions under agreements entered into with some of the sellers or contributors of the properties. The real estate investment amount of these properties (net of accumulated depreciation) was approximately \$286.7 million at April 30, 2017. The restrictions on taxable dispositions are effective for varying periods. We do not believe that the agreements materially

affect the conduct of our business or our decisions whether to dispose of restricted properties during the restriction period because we generally hold these and our other properties for investment purposes rather than for sale. In addition, where we deem it to be in our shareholders' best interests to dispose of such properties, we generally seek to structure sales of such properties as tax deferred transactions under Section 1031 of the Internal Revenue Code. Otherwise, we may be required to provide tax indemnification payments to the parties to these agreements.

Redemption Value of Units. Pursuant to a Unitholder's exercise of its Exchange Rights, we have the right, in our sole discretion, to acquire such Units by either making a cash payment or acquiring the Units for our common shares, on a one-for-one basis. All Units receive the same per Unit cash distributions as the per share dividends paid on common shares. Units are redeemable for an amount of cash per Unit equal to the average of the daily market price of our common shares for the ten consecutive trading days immediately preceding the date of valuation of the Unit. As of April 30, 2017 and 2016, the aggregate redemption value of the then-outstanding Units owned by limited partners, as determined by the ten-day average market price for our common shares, was approximately \$95.1 million and \$109.3 million, respectively.

Joint Venture Buy/Sell Options. Several of our joint venture agreements contain buy/sell options in which each party under certain circumstances has the option to acquire the interest of the other party, but do not generally require that we buy our partners' interests. However, from time to time, we have entered into joint venture agreements which contain options compelling us to acquire the interest of the other parties. We currently have one such joint venture, which owns Commons and Landing at Southgate in Minot, North Dakota, in which our joint venture partner can, for the four-year period from February 6, 2016 through February 5, 2020, compel us to acquire the partner's interest for a price to be determined in accordance with the provisions of the joint venture agreement. The joint venture partner's interest is reflected as a redeemable noncontrolling interest on the Consolidated Balance Sheets.

Pending Dispositions. We currently have signed sales agreements for the disposition of our two remaining senior housing properties for a total sales price of \$36.9 million and a parcel of unimproved land for a sales price of \$3.6 million. These pending dispositions are subject to various closing conditions and contingencies, and no assurances can be given that the transactions will be completed on the terms currently proposed, or at all.

NOTE 16 • FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement and Disclosures* defines and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels, as follows:

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

There were no transfers in and out of Level 1, Level 2 and Level 3 fair value measurements during fiscal years 2017 and 2016. Fair value estimates may be different than the amounts that may ultimately be realized upon sale or disposition of the assets and liabilities.

Fair Value Measurements on a Recurring Basis

We had no assets or liabilities recorded at fair value on a recurring basis at April 30, 2017 and 2016.

Fair Value Measurements on a Nonrecurring Basis

Non-financial assets measured at fair value on a nonrecurring basis at April 30, 2017 and 2016 consisted of real estate investments and real estate held for sale that were written-down to estimated fair value during fiscal year 2017 and 2016, respectively. The aggregate fair value of these assets by their levels in the fair value hierarchy are as follows:

	<i>(in thousands)</i>			
	Total	Level 1	Level 2	Level 3
<i>April 30, 2017</i>				
Real estate investments	\$ 506	\$ —	\$ —	\$ 506
Real estate held for sale ⁽¹⁾	\$ 10,891	\$ —	\$ —	\$ 10,891
<i>April 30, 2016</i>				
Real estate held for sale	\$ 6,650	\$ —	\$ —	\$ 6,650

(1) Represents only the portion of real estate held for sale at April 30, 2017 that was written-down to estimated fair value.

We estimated the fair value of our real estate held for sale using an income approach, including management estimates, and cash flow calculations. We estimated the fair value of our real estate investments using market comparisons and a broker opinion of value. As of April 30, 2017, we estimated fair value on a group of our properties using projected net operating income and an estimated capitalization rate to estimate fair value. Significant unobservable quantitative inputs used in determining the fair value of each investment includes capitalization rates based on the location, type and nature of each property, and current and anticipated market conditions. Significant unobservable quantitative inputs used in determining the fair value of these real estate investments at April 30, 2017, was a capitalization rate of 7.0%.

Financial Assets and Liabilities Not Measured at Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and liabilities. The fair values of our financial instruments approximate their carrying amount in our consolidated financial statements except for debt.

Cash and Cash Equivalents. The carrying amount approximates fair value because of the short maturity.

Other Investments. The carrying amount, or cost plus accrued interest, of the certificates of deposit approximates fair value.

Other Debt. 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 relevant treasury interest rates plus credit spreads (Level 2).

Lines of Credit. The carrying amount approximates fair value because the variable rate debt re-prices frequently.

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 market research and management estimates of comparable interest rates (Level 3).

The estimated fair values of our financial instruments as of April 30, 2017 and 2016 are as follows:

	<i>(in thousands)</i>			
	2017		2016	
	Amount	Fair Value	Amount	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 28,819	\$ 28,819	\$ 66,698	\$ 66,698
Other investments	—	—	50	50
FINANCIAL LIABILITIES				
Other debt, including other debt related to assets held for sale	49,637	49,637	82,026	82,026
Lines of credit	57,050	57,050	17,500	17,500
Mortgages payable	665,440	680,941	817,324	866,649
Mortgages payable related to assets held for sale	21,803	21,861	68,824	78,690

NOTE 17 • SHAREHOLDERS' EQUITY

Distribution Reinvestment and Share Purchase Plan. During fiscal year 2017 no shares were issued pursuant to our Distribution Reinvestment and Share Purchase Plan (“DRIP”). During fiscal years 2016 and 2015, we issued approximately 821,000 and 8.1 million common shares, respectively, under the DRIP, at a total value at issuance of \$5.6 million and \$64.9 million, respectively. The shares issued under the DRIP during fiscal year 2016 consisted of approximately 610,000 shares valued at issuance at \$4.1 million that were purchased with reinvested distributions and approximately 211,000 shares valued at \$1.5 million at issuance that were purchased with voluntary cash contributions. Participation in the DRIP is available to existing common shareholders and Unitholders as well as new investors. Under the DRIP, participants may purchase additional common shares by reinvesting their cash distributions and making voluntary cash contributions.

Exchange of Units for Common Shares. During fiscal years 2017 and 2016, respectively, approximately 503,000 and 273,000 Units were redeemed in exchange for common shares in connection with Unitholders exercising their Exchange Rights, with a total value of \$875,000 and \$1.5 million included in equity.

Equity Awards. During fiscal year 2017, we issued approximately 604,000 Common Shares, with a total grant-date value of \$2.6 million, under our 2015 Incentive Award Plan, for executive officer and trustee share based compensation for future performance. We also issued approximately 59,000 Common Shares, with a total grant-date value of approximately \$352,000, under our 2008 Incentive Award Plan, for trustee share based compensation for fiscal year 2016 performance. During fiscal year 2017, 274,000 common shares were forfeited under the 2015 Incentive Award Plan. During fiscal year 2016, we issued approximately 220,000 Common Shares, net of withholding, with a total grant-date value of approximately \$1.6 million, under our 2008 Incentive Award Plan, for executive officer and trustee share based compensation for fiscal year 2015 performance.

Share Repurchase Program. On December 7, 2016, our Board of Trustees authorized a share repurchase program to repurchase up to \$50 million of our common shares and/or Series B preferred shares over a one year period. Under this program, we may repurchase the shares in open-market purchases including pursuant to Rule 10b5-1 plans, as determined by management and in accordance with the requirements of the Securities and Exchange Commission. The extent to which we repurchase our shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by the executive management team. The program may be suspended or discontinued at any time. During fiscal year 2017, we repurchased

and retired approximately 778,000 common shares for an aggregate cost of \$4.5 million, including commissions, at an average price per share of \$5.77. During fiscal year 2016, we repurchased and retired approximately 4.6 million common shares for an aggregate cost of \$35.0 million, including commissions, at an average price per share of \$7.52.

ATM Program. During the second quarter of fiscal year 2014, we and our Operating Partnership entered into an At the Market sales agreement (“ATM”) with Robert W. Baird & Co. Incorporated as sales agent, pursuant to which we may from time to time sell common shares having an aggregate offering price of up to \$75 million. On June 1, 2016, we and our Operating Partnership terminated the ATM sales agreement with Baird according to its terms. We did not issue any shares under the ATM.

Issuance of Preferred Shares. On August 7, 2012, we completed the public offering of 4.6 million 7.95% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (“Series B preferred shares”) at a price of \$25.00 per share for net proceeds of approximately \$111.2 million after underwriting discounts and estimated offering expenses. These shares are nonvoting and redeemable for cash at \$25.00 per share at our option on or after August 7, 2017. Holders of these shares are entitled to cumulative distributions, payable quarterly (as and if declared by the Board of Trustees). Distributions accrue at an annual rate of \$1.9875 per share, which is equal to 7.95% of the \$25.00 per share liquidation preference (\$115 million liquidation preference in the aggregate). We contributed the net proceeds from the issuance to the Operating Partnership in exchange for 4.6 million Series B preferred units, which carry terms that are substantially the same as the Series B preferred shares.

Redemption of Preferred A. On December 2, 2016, we completed the redemption of all of the outstanding 8.25% Series A Cumulative Redeemable Preferred Shares (“Preferred A Shares”) for an aggregate redemption price of \$29.2 million, and such shares are no longer outstanding as of such date.

NOTE 18 • QUARTERLY RESULTS OF CONSOLIDATED OPERATIONS *(unaudited)*

QUARTER ENDED	<i>(in thousands, except per share data)</i>			
	July 31, 2016	October 31, 2016	January 31, 2017	April 30, 2017
Revenues	\$ 49,611	\$ 50,609	\$ 51,174	\$ 54,344
Net (loss) income attributable to Investors Real Estate Trust	\$ (21,643)	\$ 11,600	\$ 23,110	\$ 30,280
Net (loss) income available to common shareholders	\$ (24,522)	\$ 8,722	\$ 19,172	\$ 27,994
Net (loss) income per common share - basic & diluted	\$ (0.20)	\$ 0.07	\$ 0.16	\$ 0.23

QUARTER ENDED	<i>(in thousands, except per share data)</i>			
	July 31, 2015	October 31, 2015	January 31, 2016	April 30, 2016
Revenues	\$ 45,045	\$ 46,346	\$ 48,406	\$ 48,523
Net income attributable to Investors Real Estate Trust	\$ 4,540	\$ 16,666	\$ 39,797	\$ 11,003
Net income available to common shareholders	\$ 1,661	\$ 13,788	\$ 36,918	\$ 8,125
Net income per common share - basic & diluted	\$ 0.01	\$ 0.11	\$ 0.30	\$ 0.07

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

NOTE 19 • REDEEMABLE NONCONTROLLING INTERESTS

Redeemable noncontrolling interests on our Consolidated Balance Sheets represent the noncontrolling interest in a joint venture in which our unaffiliated partner, at its election, could require us to buy its interest at a purchase price to be determined by an appraisal conducted in accordance with the terms of the agreement, or at a negotiated price. Redeemable noncontrolling interests are presented at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to common shares on our Consolidated Balance Sheets. We currently have one joint venture, which owns Commons and Landing at Southgate in Minot, North Dakota, in which our joint venture partner can, for the four-year period from February 6, 2016 through February 5, 2020, compel us to acquire its interest for a price to be determined in accordance with the provisions of the joint venture agreement.

As of April 30, 2017 and 2016, the estimated redemption value of the redeemable noncontrolling interests was \$7.2 million and \$7.5 million, respectively. Below is a table reflecting the activity of the redeemable noncontrolling interests.

	<i>(in thousands)</i>		
	2017	2016	2015
Balance at beginning of fiscal year	\$ 7,522	\$ 6,368	\$ 6,203
Contributions	81	1,120	—
Net (loss) income	(422)	34	165
Balance at close of fiscal year	\$ 7,181	\$ 7,522	\$ 6,368

NOTE 20 • SHARE BASED COMPENSATION

Share based awards are provided to officers, non-officer employees and trustees under our 2015 Incentive Plan approved by shareholders on September 15, 2015, which allows for awards in the form of cash and unrestricted and restricted Common Shares up to an aggregate of 4,250,000 shares over the ten year period in which the plan will be in effect. Through April 30, 2017, awards under the 2015 Incentive Plan consisted of restricted and unrestricted Common Shares.

Long-Term Incentive Plan

Under the 2015 Incentive Plan, our officers and non-officer employees may earn share awards under a long-term incentive plan which is a forward-looking program that measures long-term performance over the stated performance period. Such awards are payable to the extent deemed earned in shares. The terms of the long-term incentive awards granted under the program may vary from year to year.

Fiscal Year 2017 LTIP Awards

Awards granted on June 22, 2016 consist of time-based restricted share awards and performance restricted share awards for 45,651 and 273,901 shares, respectively, that are classified as equity awards. The 45,651 time-based restricted share awards vest as to one-third of the shares on each June 22, 2017, May 1, 2018 and May 1, 2019. We recognize compensation expense associated with the time-based restricted share awards ratably over the requisite service periods.

The 273,901 performance restricted share awards are earned based on our TSR as compared to the MSCI US REIT Index over a forward looking three-year period. The maximum number of shares that are eligible to be earned are the shares that were granted. Earned awards (if any) will fully vest as of the last day of the measurement period. These awards have market conditions in addition to service conditions that must be met for the awards to vest. We recognize compensation expense ratably based on the grant date fair value, as determined using the Monte Carlo valuation model, and regardless of whether the market conditions are achieved and the performance restricted share awards ultimately vest. Therefore, previously recorded compensation expense is not adjusted in the event that the market conditions are not achieved. We based the expected volatility on the historical volatility of our daily closing share price. We based the risk-free interest rate on the interest rates on U.S. treasury bonds with a maturity equal to the remaining performance period of the award. We based the expected term on the performance period of the performance restricted share award. The assumptions used to value the performance restricted share awards were an expected volatility of 23.8%, a risk-free interest rate of 0.86% and an expected life of 2.85 years. The share price at the grant date, June 22, 2016, was \$6.24.

Awards granted on August 8, 2016 consist of time-based restricted share awards and performance restricted share awards for 43,549 and 77,243 shares, respectively, that are classified as equity awards. Of the time-based awards, 12,874 vest as to one-third of the shares on each August 8, 2017, May 1, 2018 and May 1, 2019. The remaining 30,675 time-based awards vest as to one-third of the shares on each August 8, 2017, August 8, 2018 and August 8, 2019.

The assumptions used to value the performance restricted awards granted on August 8, 2016 were an expected volatility of 24.0%, a risk-free interest rate of 0.83% and an expected life of 2.72 years. We based the expected volatility on the historical volatility of our daily closing price. The share price at the grant date, August 8, 2016, was \$6.57.

Awards granted on April 30, 2017 consist of time-based restricted share awards for 56,203 shares that vest as to one-third of the shares on each April 30, 2017, April 30, 2018 and April 30, 2019 and 49,342 shares that vest as to one-third of the shares on each of April 30, 2018, April 30, 2019 and April 30, 2020.

Trustee Awards

Awards granted on June 22, 2016 consist of restricted shares that vest May 1, 2017. The value of share awards at grant date for non-management trustees was approximately \$365,000, \$352,000 and \$274,000 for each of the fiscal years ended April 2017, 2016, and 2015, respectively.

Total Compensation Expense

Total share based compensation expense recognized in the consolidated financial statements for the three years ended April 30, 2017 for all share-based awards was as follows (in thousands):

	<u>Year Ended April 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Share based compensation expense	\$ 6	\$ 2,256	\$ 2,215

Share based compensation expense decreased due to forfeitures during the fiscal year ended April 30, 2017.

Restricted Share Awards with Service Conditions

The activity for the three years ended April 30, 2017 related to our restricted share awards, excluding those subject to market conditions, was as follows.

	<u>Shares</u>	<u>Wtd Avg Grant- Date Fair Value</u>
Unvested at April 30, 2014	104,855	\$ 8.72
Granted	107,536	7.17
Vested	(79,181)	8.72
Forfeited	<u>(25,674)</u>	8.72
Unvested at April 30, 2015	107,536	7.17
Vested	<u>(107,536)</u>	7.17
Unvested at April 30, 2016	—	
Granted	253,263	6.16
Vested	(21,308)	5.95
Forfeited	<u>(36,817)</u>	6.24
Unvested at April 30, 2017	<u>195,138</u>	6.17

The total fair value of share grants vested during the fiscal years ended April 30, 2017, 2016 and 2015 was approximately \$127,000, \$647,000 and \$568,000. As of April 30, 2017, the total compensation cost related to non-vested share awards not yet recognized was approximately \$485,000, which we expect to recognize over a weighted average period of 1.7 years.

Restricted Share Awards with Market Conditions

Share based awards with market conditions were granted under the LTIP during fiscal year 2017 with a fair market value, as determined using a Monte Carlo simulation, of \$1.0 million. The unamortized value of awards with market conditions as of April 30, 2017 was approximately \$300,000.

NOTE 21 • SUBSEQUENT EVENTS

Common and Preferred Share Distributions. On June 5, our Board of Trustees declared the following distributions:

<u>Class of shares/units</u>	<u>Quarterly Amount per Share or Unit</u>	<u>Record Date</u>	<u>Payment Date</u>
Common shares and limited partnership units	\$ 0.0700	June 22, 2017	July 3, 2017
Preferred shares:			
Series B	\$ 0.4968	June 22, 2017	June 30, 2017

Completed Acquisition. On May 26, 2017, we closed on the acquisition of a 191-unit multifamily property in St. Paul, MN for a purchase price of \$61.5 million, paid in cash. The purchase price accounting is incomplete for this acquisition.

Completed Disposition. On May 15, 2017, we sold a retail property in Minot, ND for a sales price of \$3.4 million.

Pending Disposition. On June 19, 2017, we signed an agreement to sell a healthcare property in Eagan, MN for a sales price of \$2.1 million. This pending disposition is subject to various closing conditions and contingencies, and no assurances can be given that the transaction will be completed on the terms currently expected, or at all.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
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Schedule III - REAL ESTATE AND ACCUMULATED DEPRECIATION (in thousands)

Description	Initial Cost to Company		Costs capitalized subsequent to acquisition		Gross amount at which carried at close of period			Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed
	Encumbrances ⁽¹⁾	Land	Buildings & Improvements	Buildings & Improvements	Land	Buildings & Improvements	Total			
Multifamily										
71 France - Edina, MN	\$ 56,000	\$ 4,721	\$ 67,641	\$ 119	\$ 4,721	\$ 67,760	\$ 72,481	\$ (2,685)	2016	40 years
Alps Park - Rapid City, SD	3,728	287	5,551	313	333	5,818	6,151	(640)	2013	40 years
Arbors - S Sioux City, NE	3,660	350	6,625	2,198	1,021	8,152	9,173	(2,501)	2006	40 years
Arcata - Golden Valley, MN	0	2,088	31,036	94	2,089	31,129	33,218	(2,524)	2015	40 years
Ashland - Grand Forks, ND	5,306	741	7,569	244	791	7,763	8,554	(1,130)	2012	40 years
Avalon Cove - Rochester, MN	0	1,616	34,074	178	1,618	34,250	35,868	(1,057)	2016	40 years
Boulder Court - Eagan, MN	0	1,067	5,498	3,005	1,393	8,177	9,570	(2,882)	2003	40 years
Brookfield Village - Topeka, KS	5,025	509	6,698	1,773	828	8,152	8,980	(2,743)	2003	40 years
Canyon Lake - Rapid City, SD	2,735	305	3,958	1,929	397	5,795	6,192	(2,159)	2001	40 years
Cardinal Point - Grand Forks, ND	0	1,600	49,606	995	1,604	50,597	52,201	(2,235)	2013	40 years
Cascade Shores - Rochester, MN	11,400	1,585	16,710	47	1,586	16,756	18,342	(540)	2016	40 years
Casterock - Billings, MT	6,347	736	4,864	2,370	1,022	6,948	7,970	(3,199)	1998	40 years
Chateau I & II - Minot, ND	0	301	20,058	833	317	20,875	21,192	(2,081)	2013	40 years
Cimarron Hills - Omaha, NE	4,562	706	9,588	4,588	1,417	13,465	14,882	(5,492)	2001	40 years
Colonial Villa - Burnsville, MN	0	2,401	11,515	9,039	2,880	20,075	22,955	(6,746)	2003	40 years
Colony - Lincoln, NE	12,748	1,515	15,730	1,220	1,652	16,813	18,465	(2,361)	2012	40 years
Commons and Landing at Southgate - Minot, ND	26,751	5,945	47,512	825	6,194	48,088	54,282	(4,490)	2015	40 years
Cottage West Twin Homes - Sioux Falls, SD	3,457	968	3,762	555	1,056	4,229	5,285	(619)	2011	40 years
Cottonwood - Bismarck, ND	15,111	1,056	17,372	5,231	1,504	22,155	23,659	(8,130)	1997	40 years
Country Meadows - Billings, MT	6,303	491	7,809	1,726	567	9,459	10,026	(4,378)	1995	33 - 40 years
Crestview - Bismarck, ND	3,670	235	4,290	2,069	557	6,037	6,594	(3,266)	1994	24 - 40 years
Crown - Rochester, MN	2,443	261	3,289	577	269	3,858	4,127	(699)	2010	40 years
Crown Colony - Topeka, KS	7,780	620	9,956	3,574	1,042	13,108	14,150	(5,248)	1999	40 years
Crystal Bay - Rochester, MN	0	433	11,425	68	436	11,490	11,926	(347)	2016	40 years
Cypress Court - St. Cloud, MN	12,666	1,583	18,879	194	1,599	19,057	20,656	(1,909)	2012	40 years
Dakota Commons - Williston, ND	0	823	3,210	17	823	3,227	4,050	(58)	2015	40 years
Deer Ridge - Jamestown, ND	11,490	711	24,129	123	723	24,240	24,963	(1,312)	2013	40 years
Evergreen - Isanti, MN	3,885	1,071	5,524	339	1,083	5,851	6,934	(1,084)	2008	40 years
Forest Park - Grand Forks, ND	7,275	810	5,579	8,068	1,450	13,007	14,457	(6,232)	1993	24 - 40 years
French Creek - Rochester, MN	0	201	4,735	19	207	4,748	4,955	(139)	2016	40 years
Gables Townhomes - Sioux Falls, SD	1,399	349	1,921	214	383	2,101	2,484	(306)	2011	40 years
Gardens - Grand Forks, ND	0	518	8,702	96	528	8,788	9,316	(403)	2015	40 years
Grand Gateway - St. Cloud, MN	0	814	7,086	1,823	936	8,787	9,723	(1,362)	2012	40 years
GrandeVile at Cascade Lake - Rochester, MN	36,000	5,003	50,363	1,305	5,044	51,627	56,671	(2,181)	2015	40 years
Greenfield - Omaha, NE	3,451	578	4,122	1,206	843	5,063	5,906	(1,274)	2007	40 years
Heritage Manor - Rochester, MN	3,558	403	6,968	3,093	605	9,859	10,464	(4,345)	1998	40 years
Homestead Garden - Rapid City, SD	3,024	655	14,139	448	713	14,529	15,242	(1,158)	2015	40 years
Indian Hills - Sioux City, IA	0	294	2,921	4,281	444	7,052	7,496	(1,803)	2007	40 years
Kirkwood Manor - Bismarck, ND	3,145	449	2,725	1,825	598	4,401	4,999	(2,039)	1997	12 - 40 years
Lakeside Village - Lincoln, NE	12,593	1,215	15,837	859	1,302	16,609	17,911	(2,294)	2012	40 years

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Landmark - Grand Forks, ND	0	184	1,514	1,188	355	2,531	2,886	(1,217)	1997	40	years
Legacy - Grand Forks, ND	14,751	1,362	21,727	10,275	2,252	31,112	33,364	(11,970)	1995-2005	24 - 40	years
Legacy Heights - Bismarck, ND	0	1,207	13,742	327	1,265	14,011	15,276	(757)	2015	40	years
Mariposa - Topeka, KS	2,816	399	5,110	826	434	5,901	6,335	(1,777)	2004	40	years
Meadows - Jamestown, ND	0	590	4,519	1,840	685	6,264	6,949	(2,486)	1998	40	years
Monticello Crossings - Monticello, MN	0	1,734	28,151	641	1,734	28,792	30,526	(402)	2017	40	years
Monticello Village - Monticello, MN	2,853	490	3,756	960	631	4,575	5,206	(1,489)	2004	40	years
Northern Valley - Rochester, MN	0	110	610	153	122	751	873	(1,732)	2010	40	years
North Pointe - Bismarck, ND	3,274	303	3,957	1,249	361	5,148	5,509	(1,733)	1995-2011	24 - 40	years
Northridge - Bismarck, ND	5,986	884	7,515	132	959	7,572	8,531	(544)	2015	40	years
Oakmont Estates - Sioux Falls, SD	2,300	422	4,838	1,162	697	5,725	6,422	(2,096)	2002	40	years
Oakwood Estates - Sioux Falls, SD	3,749	543	2,784	4,646	860	7,113	7,973	(3,640)	1993	40	years
Olympic Village - Billings, MT	10,158	1,164	10,441	3,734	1,810	13,529	15,339	(5,662)	2000	40	years
Olympik Village - Rochester, MN	4,128	1,034	6,109	2,449	1,239	8,353	9,592	(2,579)	2005	40	years
Oxbow Park - Sioux Falls, SD	3,661	404	3,152	3,654	972	6,238	7,210	(3,191)	1994	24 - 40	years
Park Meadows - Waite Park, MN	8,195	1,143	9,099	9,373	1,892	17,723	19,615	(7,153)	1997	40	years
Pebble Springs - Bismarck, ND	716	7	748	207	57	905	962	(401)	1999	40	years
Pinehurst - Billings, MT	121	72	687	418	168	1,009	1,177	(358)	2002	40	years
Plaza - Minot, ND	5,068	867	12,784	2,774	998	15,427	16,425	(3,285)	2009	40	years
Pointe West - Rapid City, SD	2,504	240	3,538	1,917	406	5,289	5,695	(2,684)	1994	24 - 40	years
Ponds at Heritage Place - Sartell, MN	3,641	395	4,564	425	410	4,974	5,384	(676)	2012	40	years
Prairie Winds - Sioux Falls, SD	1,349	144	1,816	646	304	2,302	2,606	(1,357)	1993	24 - 40	years
Quarry Ridge - Rochester, MN	26,219	2,254	30,024	1,990	2,401	31,867	34,268	(6,378)	2006	40	years
Red 20 - Minneapolis, MN	22,953	1,900	26,641	333	1,900	26,974	28,874	(2,271)	2015	40	years
Regency Park Estates - St. Cloud, MN	8,176	702	10,198	2,168	949	12,119	13,068	(1,945)	2011	40	years
Renaissance Heights - Williston, ND	23,439	3,080	15,389	133	3,086	15,516	18,602	(2,79)	2013	40	years
Ridge Oaks - Sioux City, IA	3,240	178	4,073	2,851	307	6,795	7,102	(2,584)	2001	40	years
Rimrock West - Billings, MT	3,160	330	3,489	1,966	476	5,309	5,785	(2,066)	1999	40	years
River Ridge - Bismarck, ND	0	576	24,670	804	763	25,287	26,050	(3,072)	2008	40	years
Rocky Meadows - Billings, MT	4,899	656	5,726	1,469	792	7,059	7,851	(3,495)	1995	40	years
Rum River - Isanti, MN	3,380	843	4,823	348	864	5,150	6,014	(1,314)	2007	40	years
Sherwood - Topeka, KS	11,686	1,142	14,684	4,795	1,838	18,783	20,621	(7,637)	1999	40	years
Sierra Vista - Sioux Falls, SD	1,323	241	2,097	520	276	2,582	2,858	(432)	2011	40	years
Silver Springs - Rapid City, SD	2,156	215	3,007	583	215	3,568	3,805	(271)	2015	40	years
South Pointe - Minot, ND	8,229	550	9,548	4,908	1,370	13,636	15,006	(6,351)	1995	24 - 40	years
Southpoint - Grand Forks, ND	0	576	9,893	147	622	9,994	10,616	(934)	2013	40	years
Southwind - Grand Forks, ND	5,259	400	5,034	3,482	812	8,104	8,916	(4,029)	1995	24 - 40	years
Sunset Trail - Rochester, MN	7,732	336	12,814	3,217	687	15,680	16,367	(6,374)	1999	40	years
Thomasbrook - Lincoln, NE	5,687	600	10,306	4,944	1,430	14,420	15,850	(5,322)	1999	40	years
Valley Park - Grand Forks, ND	3,683	294	4,137	3,840	1,186	7,085	8,271	(3,107)	1999	40	years
Villa West - Topeka, KS	11,729	1,590	15,760	1,424	2,084	16,690	18,774	(2,367)	2012	40	years
Village Green - Rochester, MN	0	234	2,296	1,073	359	3,244	3,603	(1,106)	2003	40	years
West Stonehill - Waite Park, MN	8,072	939	10,167	7,618	1,715	17,009	18,724	(7,807)	1995	40	years
Westwood Park - Bismarck, ND	1,879	116	1,909	2,023	287	3,761	4,048	(1,681)	1998	40	years
Whispering Ridge - Omaha, NE	21,257	2,139	25,424	1,365	2,403	26,525	28,928	(3,161)	2012	40	years
Williston Garden - Williston, ND	7,541	1,400	10,200	211	1,412	10,399	11,811	(190)	2012	40	years
Winchester - Rochester, MN	0	748	5,622	2,512	1,044	7,838	8,882	(2,672)	2003	40	years
Woodridge - Rochester, MN	5,920	370	6,028	3,124	741	8,781	9,522	(4,087)	1997	40	years
Total Multifamily	\$ 548,401	\$ 882,121	\$ 1,004,096	\$ 174,324	\$ 101,227	\$ 1,159,314	\$ 1,260,541	\$ (232,592)			

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	Encumbrances ⁽¹⁾	Land	Buildings & Improvements	Land	Buildings & Improvements	Land	Total			
Healthcare										
2800 Medical Building - Minneapolis, MN	\$ 7,558	\$ 204	\$ 7,135	\$ 2,663	\$ 9,773	\$ 10,002	\$ (3,715)	2005	40 years	
2828 Chicago Avenue - Minneapolis, MN	11,508	726	11,319	5,380	16,696	17,425	(5,203)	2007	40 years	
Airport Medical - Bloomington, MN	—	—	4,678	51	4,718	4,729	(1,967)	2002	40 years	
Billings 2300 Grant Road - Billings, MT	0	649	1,216	—	1,216	1,865	(207)	2010	40 years	
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN	7,705	1,071	6,842	2,393	9,105	10,306	(2,240)	2008	40 years	
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN	4,823	189	5,127	1,764	6,804	7,080	(1,486)	2008	40 years	
Denfeld Clinic - Duluth, MN	1,180	501	2,597	1	2,598	3,099	(847)	2004	40 years	
Eagan 1440 Duckwood Medical - Eagan, MN	—	521	1,547	556	2,103	2,624	(825)	2008	40 years	
Edina 6363 France Medical - Edina, MN	0	—	12,675	3,386	16,061	16,061	(5,179)	2008	40 years	
Edina 6405 France Medical - Edina, MN	0	—	12,201	367	12,568	12,568	(3,863)	2008	40 years	
Edina 6517 Drew Avenue - Edina, MN	—	741	660	1,035	1,477	2,436	(277)	2002	40 years	
Edina 6525 France SMC II - Edina, MN	9,394	755	8,054	6,859	14,628	15,668	(6,817)	2003	40 years	
Edina 6545 France SMC I - Edina MN	28,331	3,480	63,275	18,446	81,721	85,201	(21,746)	2001	40 years	
Fresenius - Duluth, MN	0	50	1,520	2	1,522	1,572	(496)	2004	40 years	
Garden View - St. Paul, MN	0	—	7,408	1,175	8,557	8,583	(3,298)	2002	40 years	
Gateway Clinic - Sandstone, MN	683	77	1,699	—	1,699	1,776	(554)	2004	40 years	
High Pointe Health Campus - Lake Elmo, MN	7,278	1,305	10,528	2,300	12,627	14,133	(4,692)	2004	40 years	
Lakeside Medical Plaza - Omaha, NE	0	903	5,210	—	5,210	6,113	(227)	2015	40 years	
Mariner Clinic - Superior, WI	1,494	—	3,781	323	4,058	4,104	(1,294)	2004	40 years	
Minneapolis 701 25th Avenue Medical - Minneapolis, MN*	0	—	7,873	1,626	9,499	9,499	(2,561)	2008	40 years	
Missoula 3050 Great Northern - Missoula, MT	0	640	1,331	—	1,331	1,971	(226)	2010	40 years	
Park Dental - Brooklyn Center, MN	—	185	2,767	15	2,767	2,967	(1,013)	2002	40 years	
Pavilion I - Duluth, MN	3,937	1,245	8,898	391	9,289	10,534	(2,915)	2004	40 years	
Pavilion II - Duluth, MN	7,245	2,715	14,673	1,937	16,610	19,325	(6,676)	2004	40 years	
PrairieCare Medical - Brooklyn Park, MN	0	2,610	21,847	—	21,847	24,457	(1,104)	2015	40 years	
Ritchie Medical Plaza - St. Paul, MN	0	1,615	7,851	4,447	12,266	13,913	(3,982)	2005	40 years	
St Michael Clinic - St. Michael, MN	0	328	2,259	296	2,534	2,883	(637)	2007	40 years	
Trinity at Plaza 16 - Minot, ND	4,430	568	9,009	16	8,919	9,593	(1,278)	2011	40 years	
Wells Clinic - Hibbing, MN	1,042	162	2,497	2	2,499	2,661	(814)	2004	40 years	
Total Healthcare	\$ 96,408	\$ 21,240	\$ 246,477	\$ 55,431	\$ 300,702	\$ 323,148	\$ (86,139)			

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	Encumbrances ⁽¹⁾	Land	Buildings & Improvements	Land	Buildings & Improvements	Land	Total			
Other										
Bismarck 715 East Broadway - Bismarck, ND.	1,974	389	1,283	1,134	443	2,363	2,806	(630)	2008	40 years
Bloomington 2000 W 94th Street - Bloomington, MN.	0	2,133	4,097	1,322	2,241	5,311	7,552	(1,878)	2006	40 years
Dakota West Plaza - Minot, ND.	328	92	493	30	106	509	615	(149)	2006	40 years
Lexington Commerce Center - Eagan, MN.	1,399	453	4,352	2,101	512	6,394	6,906	(3,209)	1999	40 years
Minot 1400 31st Ave - Minot, ND.	—	1,026	6,143	4,404	1,038	10,535	11,573	(3,521)	2010	40 years
Minot 2505 16th Street SW - Minot, ND.	—	298	1,724	296	298	2,020	2,318	(427)	2009	40 years
Minot Arrowhead - Minot, ND.	—	100	3,216	5,583	176	8,723	8,899	(2,740)	1973	40 years
Minot IPS - Minot, ND.	—	416	5,952	—	416	5,952	6,368	(699)	2012	40 years
Minot Southgate Retail - Minot, ND.	—	889	1,748	68	889	1,816	2,705	(74)	2015	40 years
Plaza 16 - Minot, ND.	6,726	389	5,444	3,764	598	8,999	9,597	(2,675)	2009	40 years
Roseville 3075 Long Lake Road - Roseville, MN.	—	810	10,244	2,045	810	12,289	13,099	(1,043)	2001	40 years
Urbandale 3900 106th Street - Urbandale, IA.	10,102	3,680	9,893	1,982	3,863	11,692	15,555	(3,347)	2007	40 years
Woodbury 1865 Woodlane - Woodbury, MN.	—	1,108	2,628	2,063	1,302	4,497	5,799	(1,294)	2007	40 years
Total Other	\$ 20,529	\$ 11,783	\$ 57,217	\$ 24,792	\$ 12,692	\$ 81,100	\$ 93,792	\$ (21,686)		
Subtotal	\$ 665,338	\$ 115,144	\$ 1,307,790	\$ 254,547	\$ 136,365	\$ 1,541,116	\$ 1,677,481	\$ (340,417)		

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	Encumbrances ⁽¹⁾	Land	Buildings & Improvements	subsequent to acquisition	Land	Buildings & Improvements	Total	
Unimproved Land								
Badger Hills - Rochester, MN	\$ —	\$ 1,050	\$ —	\$ 339	\$ 1,389	\$ —	\$ 1,389	2012
Bismarck 4916 - Bismarck, ND	—	3,250	—	45	3,295	—	3,295	2013
Bismarck 700 E Main - Bismarck, ND	—	314	—	571	885	—	885	2008
Creekside Crossing - Bismarck, ND	—	4,286	—	719	5,005	—	5,005	2015
Grand Forks - Grand Forks, ND	—	4,278	—	2	4,280	—	4,280	2012
Isanti Unimproved - Isanti, MN	—	58	—	—	58	—	58	2014
Minot 1525 24th Ave SW - Minot, ND	—	506	—	—	506	—	506	2015
Rapid City Unimproved- Rapid City, SD	—	1,376	—	—	1,376	—	1,376	2014
Renaissance Heights - Williston, ND	—	1,178	—	—	1,178	—	1,178	2012
Urbandale - Urbandale, IA	—	5	—	108	113	—	113	2009
Weston - Weston, WI	—	370	—	—	370	—	370	2006
Total Unimproved Land	—	\$ 16,671	\$ —	\$ 1,784	\$ 18,455	\$ —	\$ 18,455	
Total	\$ 665,338	\$ 131,815	\$ 1,307,790	\$ 256,331	\$ 154,820	\$ 1,541,116	\$ 1,695,936	\$ (340,417)

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Description	Encumbrances ⁽¹⁾		Initial Cost to Company		Costs capitalized subsequent to acquisition		Gross amount at which carried at close of period			Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed			
			Land	Buildings & Improvements	Land	Buildings & Improvements	Land	Buildings & Improvements	Total						
Held for Sale															
4th Street 4 Plex - Minot, ND	90	\$	15	74	41	\$	26	104	\$	130	\$	(26)	2008	40 years	
11th Street 3 Plex - Minot, ND	77		11	53	26		20	70		90		(16)	2008	40 years	
17 South Main - Minot, ND	69		15	75	197		17	270		287		(206)	2000	40 years	
Apartments on Main - Minot, ND	590		158	1,123	71		195	1,157		1,352		(292)	1987	24 - 40 years	
Brooklyn Heights - Minot, ND	573		145	1,450	1,051		235	2,411		2,646		(1,035)	1997	12 - 40 years	
Colton Heights - Minot, ND	323		80	672	470		123	1,099		1,222		(825)	1984	40 years	
Edgewood Vista - Hermantown I, MN	16,233		288	9,871	10,094		288	19,965		20,253		(7,931)	2000	40 years	
Edgewood Vista - Hermantown II, MN	0		719	10,517	942		719	11,459		12,178		(3,168)	2005	40 years	
Fairmont - Minot, ND	305		28	337	132		56	441		497		(101)	2008	40 years	
First Avenue (Apartments) - Minot, ND ⁽²⁾	—		—	3,045	24		—	3,069		3,069		(273)	2013	40 years	
First Avenue (Office) - Minot, ND ⁽²⁾	—		30	337	—		30	337		367		(54)	1981	33 - 40 years	
Minot Southgate Wells Fargo Bank - Minot, ND	—		992	2,237	—		992	2,237		3,229		(139)	2014	40 years	
Pines - Minot, ND	92		35	215	270		49	471		520		(151)	1997	40 years	
Southview - Minot, ND	978		185	469	525		251	928		1,179		(407)	1994	40 years	
Summit Park - Minot, ND	795		161	1,898	(126)		795	1,138		1,933		(1,382)	1997	24 - 40 years	
Temple - Minot, ND	69		—	—	226		—	226		226		(57)	2006	40 years	
Terrace Heights - Minot, ND	133		29	312	206		40	507		547		(187)	2006	40 years	
Westridge - Minot, ND	1,475		68	1,887	379		79	2,255		2,334		(494)	2008	40 years	
Total Held for Sale	21,802	\$	2,959	\$	34,572	\$	\$	48,144	\$	\$	\$	\$	52,059	\$	(16,744)

(1) Amounts in this column are the mortgages payable balances as of April 30, 2017. These amounts do not include amounts owing under the Company's multi-bank line of credit or under the Company's construction loans.
(2) Single multi-use property.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
April 30, 2017

Schedule III - REAL ESTATE AND ACCUMULATED DEPRECIATION (in thousands)

Reconciliations of the carrying value of total property owned for the three years ended April 30, 2017, 2016, and 2015 are as follows:

	<i>(in thousands)</i>		
	2017	2016	2015
Balance at beginning of year	\$ 1,681,471	\$ 1,335,687	\$ 1,241,195
Additions during year			
Multifamily	61,565	282,457	183,114
Healthcare	—	63,605	—
Other	—	2,623	12,223
Improvements and Other	42,291	34,619	21,006
	1,785,327	1,718,991	1,457,538
Deductions during year			
Cost of real estate sold	(21,718)	(1,305)	(17,904)
Impairment charge	(51,401)	—	(1,566)
Write down of asset and accumulated depreciation on impaired assets	(7,144)	—	(881)
Properties classified as held for sale during the year	(24,156)	(32,438)	(97,824)
Other ⁽¹⁾	(3,427)	(3,777)	(3,676)
Balance at close of year	\$ 1,677,481	\$ 1,681,471	\$ 1,335,687

Reconciliations of accumulated depreciation/amortization for the three years ended April 30, 2017, 2016, and 2015, are as follows:

	<i>(in thousands)</i>		
	2017	2016	2015
Balance at beginning of year	\$ 312,889	\$ 279,417	\$ 273,934
Additions during year			
Provisions for depreciation	52,786	47,064	40,078
Deductions during year			
Accumulated depreciation on real estate sold or classified as held for sale	(14,687)	(9,957)	(29,463)
Write down of asset and accumulated depreciation on impaired assets	(7,144)	—	(881)
Other ⁽¹⁾	(3,427)	(3,635)	(4,251)
Balance at close of year	\$ 340,417	\$ 312,889	\$ 279,417

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
April 30, 2017

Schedule III - REAL ESTATE AND ACCUMULATED DEPRECIATION (in thousands)

Reconciliations of development in progress for the three years ended April 30, 2017, 2016, and 2015, are as follows:

	<i>(in thousands)</i>		
	2017	2016	2015
Balance at beginning of year	\$ 51,681	\$ 153,994	\$ 104,609
Additions during year			
Unimproved land acquisitions	—	—	12,647
Unimproved land moved to development in progress	—	1,734	7,015
Improvements and other	7,893	96,753	189,306
Deductions during year			
Development placed in service ⁽²⁾	(59,574)	(200,800)	(159,578)
Other ⁽³⁾	—	—	(5)
Balance at close of year	\$ —	\$ 51,681	\$ 153,994

Reconciliations of unimproved land for the three years ended April 30, 2017, 2016, and 2015 are as follows:

	<i>(in thousands)</i>		
	2017	2016	2015
Balance at beginning of year	\$ 20,939	\$ 25,827	\$ 22,864
Additions during year			
Unimproved land acquisitions	—	—	10,487
Improvements and other	1,024	205	1,533
Deductions during year			
Cost of real estate sold	—	(442)	(670)
Impairment charge	(3,508)	(1,285)	(1,293)
Properties classified as held for sale during the year	—	(1,632)	(79)
Unimproved land moved to development in progress	—	(1,734)	(7,015)
Balance at close of year	\$ 18,455	\$ 20,939	\$ 25,827
Total real estate investments ⁽⁴⁾	\$ 1,355,519	\$ 1,441,202	\$ 1,236,091

(1) Consists of miscellaneous disposed assets.

(2) Includes development projects that are placed in service in phases.

(3) Consists of miscellaneous re-classed assets.

(4) The net basis of the Company's real estate investments, including held for sale properties, for Federal Income Tax purposes was \$1.4 billion, \$1.6 billion and \$1.7 billion at April 30, 2017, 2016 and 2015, respectively.

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Certification

I, Mark O. Decker, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Investors Real Estate Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 28, 2017

By: /s/ Mark O. Decker, Jr.
Mark O. Decker, Jr., President & CEO

Certification

I, Ted E. Holmes, certify that:

1. I have reviewed this Annual Report on Form 10-K of Investors Real Estate Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 28, 2017

By: /s/ Ted E. Holmes
Ted E. Holmes, Chief Financial Officer

Certification

The following certification is furnished as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b) (32) (ii) of Regulation S-K.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Investors Real Estate Trust (the “Company”) on Form 10-K for the year ended April 30, 2017, as filed with the Securities and Exchange Commission on June 28, 2017, (the “Report”), I, Mark O. Decker, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark O. Decker, Jr.

Mark O. Decker, Jr.

President and Chief Executive Officer

June 28, 2017

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification

The following certification is furnished as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b) (32) (ii) of Regulation S-K.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Investors Real Estate Trust (the “Company”) on Form 10-K for the year ended April 30, 2017, as filed with the Securities and Exchange Commission on June 28, 2017, (the “Report”), I, Ted E. Holmes, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ted E. Holmes

Ted E. Holmes
Chief Financial Officer
June 28, 2017

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Executive Leadership



Mark O. Decker, Jr.

President & Chief Executive Officer

Mr. Decker was appointed Chief Executive Officer of IRET in April 2017 and as President and Chief Investment Officer of IRET when he joined the company in August 2016. Prior to that, he served as Managing Director and US Group Head of Real Estate Investment & Corporate Banking at BMO Capital Markets, where he helped grow the platform into an active participant in real estate debt, equity and M&A transactions.



John A. Kirchmann

Executive Vice President & Chief Financial Officer

Mr. Kirchmann was appointed Chief Financial Officer in June 2017 and as Executive Vice President in April 2017. Previously he served as Vice President of Operations Support at Essex Property Trust, a NYSE-listed multifamily REIT, until July 2016 where he was responsible for the oversight of revenue management and ancillary income, procurement, and other functions. From 2007 to 2011, he served as Corporate Controller & Corporate Treasurer at Essex, where he oversaw property and corporate accounting functions, treasury management, and re-engineered and implemented new technology and systems.



Andrew Martin

Executive Vice President - Property Operations

Mr. Martin was appointed Executive Vice President of Property Operations in May 2017. Previously, he served as Executive Vice President – Asset Management from September 2016 to May 2017 and as Senior Vice President, Residential Property Management from May 2011 to September 2016. Mr. Martin joined the Company in December 2009 to lead its Residential Property Management division, and he has over 22 years of experience in the commercial and multifamily property management industry.



Anne Olson

Executive Vice President, General Counsel & Secretary

Ms. Olson was appointed General Counsel of IRET in April 2017. She has been in the private practice of law since 2011, recently as a Partner in Dorsey & Whitney LLP's Real Estate Practice Group, where she focused on development and investment real estate for publicly traded and publicly registered REITs, including IRET, as well as private equity funds and national developers and owners. Prior to 2011, Ms. Olson served as Director of Investment Operations and in-house counsel for Welsh Companies, LLC and its affiliates.

Board of Trustees



Jeffrey P. Caira | *Chair*

- Former Director - Co-Portfolio Manager of the North American Diversified Strategy at AEW Capital Management
- Former Vice President - Portfolio Manager and Senior Analyst for Pioneer Investment Management, Inc.
- IRET Board of Trustees Member since 2015



John D. Stewart | *Vice Chair*

- Former President of the Glacial Holdings group of companies
- Director of the Command Center, Inc.
- Former Certified Public Accountant at Arthur Anderson & Co. and Brady, Martz, and Associates, P.C.
- IRET Board of Trustees Member since 2004



Mark O. Decker, Jr. | *President & Chief Executive Officer*

- Chief Investment Officer of IRET
- Former Managing Director and US Group Head of Real Estate Investment & Corporate Banking at BMO Capital Markets
- IRET Board of Trustees Member since 2017



Michael T. Dance

- Former Executive Vice President and Chief Financial Officer of Essex Property Trust, Inc.
- Former Adjunct Professor for the University of California at Berkeley, Haas School of Business
- IRET Board of Trustees Member since 2016



Linda J. Hall

- Entrepreneur-in-Residence at the Carlson School of Management, University of Minnesota
- Former Chief Executive Officer of MinuteClinic
- IRET Board of Trustees Member since 2011



Terrance P. Maxwell

- Chief Financial Officer and a Managing Director of Robert W. Baird & Co. Inc.
- Former Co-Chief Executive officer of The Art Commission, LLC
- Former lecturer at the University of Wisconsin - Madison
- IRET Board of Trustees Member since 2013



Jeffrey L. Miller

- Managing Partner of Miller Properties, LLP
- Former President of M&S Concessions, Inc.
- Former President of Coca-Cola Bottling Franchise in Minot, ND
- IRET Board of Trustees Member since 1985



John A. Schissel

- President and Chief Financial Officer for Carr Properties, LLC
- Former Executive Vice President and Chief Financial Officer of Invitation Homes
- Former Executive Vice President and Chief Financial Officer of BRE Properties, Inc.
- IRET Board of Trustees Member since 2016

Stock Exchange Listing

Our common shares of beneficial interest trade on the New York Stock Exchange (NYSE) under the symbol IRET, and our 7.95% Series B Cumulative Redeemable Preferred Shares trade under the symbol IRET PRB.

Independent Accountants

Grant Thornton LLP
Minneapolis, Minnesota

Legal Counsel

Hunton & Williams, LLP

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
www.amstock.com
(888) 200-3167

Annual Meeting

The Annual Meeting of Shareholders for the Company will be held at 9:00 a.m. CT on Tuesday, September 19, 2017 at the Grand Hotel, 1505 North Broadway, Minot, North Dakota.

Financial Information

The Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2017 forms part of the Annual Report. Additional copies of the Form 10-K are available free of charge upon written request to the Company at 1400 31st Avenue SW, Suite 60, PO Box 1988, Minot, North Dakota 58702.

The Form 10-K is also posted on the Company's website at iretApartments.com or may be obtained from the SEC's website at www.sec.gov.

Investor Relations Contact

Lynn Jehlicka
Telephone Number: (701) 837-4738
ir@iret.com





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