Lawlor Brian G.
Form 4
November 13, 2018

# FORM 4

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

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Lawlor Brian G.

(Last) (First) (Middle)

312 WALNUT STREET, 28TH FLOOR

(Street)

CINCINNATI, OH 45202

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
E.W. SCRIPPS Co [SSP]

3. Date of Earliest Transaction (Month/Day/Year)
06/13/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President, Local Media

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Class A Common Shares, $.01 par value per share | 06/13/2016 | | J | | 28,209 (1) | D | $ 16.91 | 42,998 | D | |
| Common Voting Shares, $.01 par value per share | | | | | | | | 0 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. De Se (In |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Restricted Stock Units | (2) | | | | | | | 03/09/2014 | 03/09/2017 | Restricted Stock Units | 5,294 | |
| Restricted Stock Units | (3) | | | | | | | 03/09/2015 | 03/09/2018 | Restricted Stock Units | 6,383 | |
| Restricted Stock Units | (4) | | | | | | | 03/09/2016 | 03/09/2019 | Restricted Stock Units | 12,993 | |
| Restricted Stock Units | (5) | | | | | | | 03/09/2017 | 03/09/2020 | Restricted Stock Units | 31,073 | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| Lawlor Brian G.<br>312 WALNUT STREET<br>28TH FLOOR<br>CINCINNATI, OH 45202 | | | President, Local Media | |

# Signatures

| /s/ William Appleton, Attorney-in-fact for Brian G. Lawlor | 11/13/2018 |
| --- | --- |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** These shares were transferred pursuant to a separation agreement.

**(2)** This restricted stock unit award will vest in 2017. Upon vesting, each restricted stock unit will convert into on Class A Common Share of the Company

**(3)** This restricted stock unit award will vest in equal parts in 2017 and 2018. Upon vesting, each restricted stock unit will convert into on Class A Common Share of the Company

**(4)** This restricted stock unit award will vest in equal parts in 2017, 2018 and 2019. Upon vesting, each restricted stock unit will convert into on Class A Common Share of the Company.

**(5)** This restricted stock unit award will vest in equal parts in 2017, 2018, 2019 and 2020. Upon vesting, each restricted stock unit will convert into one Class A Common Shares of the Company.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. n="right">

5,817

5,817

Unrealized loss on securities available-for- sale

11

11

Total comprehensive income

5,828

Distributions common shares

Explanation of Responses:

(16,278)

(16,278)

Distributions preferred shares

(1,186)

(1,186)

Distribution reinvestment plan

Explanation of Responses:

525

5,368

5,368

Sale of shares

6,905

66,405

66,405

Redemption of units for common shares

Explanation of Responses:

419

2,973

2,973

Fractional shares repurchased

(5)

(5)

Balance October 31, 2007

1,150

$

27,317

56,419

$

429,236

$

(108,474)

$

(5)

$

348,074

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

*for the six months ended October 31, 2007 and 2006*

| | *(in thousands)* **2007** | **2006** |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | $ 5,817 | $ 6,621 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 25,432 | 22,058 |
| Minority interest portion of income | 1,810 | 1,796 |
| Gain on sale of real estate, land and other investments | (2) | (2,637) |
| Loss on impairment of real estate investments | 0 | 520 |
| Bad debt expense | 543 | 145 |
| Changes in other assets and liabilities: | | |
| Increase in receivable arising from straight-lining of rents | (928) | (1,380) |
| Decrease (increase) in accounts receivable | 379 | (798) |
| Increase in prepaid and other assets | (877) | (1,156) |
| Decrease in tax, insurance and other escrow | 683 | 2,809 |
| Increase in deferred charges and leasing costs | (1,871) | (3,100) |
| (Decrease) increase in accounts payable, accrued expenses, and other liabilities | (5,973) | 324 |
| Net cash provided by operating activities | 25,013 | 25,202 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of marketable securities available-for-sale | 6 | 845 |
| Net payments of real estate deposits | (867) | (3,704) |
| Principal proceeds on mortgage loans receivable | 12 | 11 |
| Purchase of marketable securities available-for-sale | (37) | 0 |
| Proceeds from sale of real estate and other investments | 298 | 13,174 |
| Insurance proceeds received | 387 | 0 |
| Payments for investment properties from insurance proceeds | (322) | 0 |
| Payments for acquisitions and improvements of real estate investments | (32,819) | (121,287) |
| Net cash used by investing activities | (33,342) | (110,961) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from sale of common shares, net of issue costs | 66,405 | 175 |
| Proceeds from mortgages payable | 17,438 | 229,014 |
| Proceeds from revolving lines of credit | 0 | 15,500 |
| Proceeds from minority partner | 0 | 53 |
| Repurchase of fractional shares and minority interest units | (5) | (6) |
| Distributions paid to common shareholders, net of reinvestment | (11,304) | (10,157) |
| Distributions paid to preferred shareholders | (1,186) | (1,186) |
| Distributions paid to unitholders of operating partnership | (6,320) | (4,237) |
| Distributions paid to other minority partners | (108) | (49) |
| Redemption of investment certificates | 0 | (1,660) |
| Principal payments on mortgages payable | (11,765) | (72,261) |
| Principal payments on revolving lines of credit and other debt | (40) | (19,040) |
| Net cash provided by financing activities | 53,115 | 136,146 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 44,786 | 50,387 |

| | | | | |
|---|---|---|---|---|
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | 44,516 | | 17,485 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ | 89,302 | $ | 67,872 |

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited, continued)*
*for the six months ended October 31, 2007 and 2006*

| | *(in thousands)* | |
|---|---|---|
| | **2007** | **2006** |
| SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES FOR THE PERIOD | | |
| Distribution reinvestment plan | $ 4,974 | $ 5,381 |
| UPREIT distribution reinvestment plan | 394 | 404 |
| Real estate investment acquired through assumption of mortgage loans payable and accrual of costs | 10,800 | 13,166 |
| Assets acquired through the issuance of minority interest units in the operating partnership | 5,650 | 56,791 |
| Operating partnership units converted to shares | 2,973 | 1,294 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for: | | |
| Interest on mortgages | 30,656 | 26,546 |
| Interest other | 19 | 892 |
| | $ 30,675 | $ 27,438 |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(unaudited)*
*for the six months ended October 31, 2007 and 2006*

**NOTE 1 • ORGANIZATION**

Investors Real Estate Trust ("IRET" or the "Company") is a self-advised real estate investment trust engaged in acquiring, owning and leasing multi-family and commercial real estate. IRET has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended. REITs 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. IRET's multi-family residential properties and commercial properties are located mainly in the states of North Dakota and Minnesota, but also in the states of Colorado, Idaho, Iowa, Kansas, Montana, Missouri, Nebraska, South Dakota, Texas, Michigan and Wisconsin. As of October 31, 2007, IRET owned 69 multi-family residential properties with 9,397 apartment units and 152 commercial properties, consisting of office, medical, industrial and retail properties, totaling 10.6 million net rentable square feet. IRET conducts a majority of its business activities through its consolidated operating partnership, IRET Properties, a North Dakota Limited Partnership (the "Operating Partnership"), as well as through a number of other consolidated subsidiary entities.

All references to IRET or the Company refer to Investors Real Estate Trust and its consolidated subsidiaries.

**NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The accompanying condensed consolidated financial statements include the accounts of IRET and all its subsidiaries in which it maintains a controlling interest. All intercompany balances and transactions are eliminated in consolidation. The Company's fiscal year ends April 30th.

The accompanying condensed consolidated financial statements include the accounts of IRET and its interest in the Operating Partnership. The Company's interest in the Operating Partnership was 73.7% and 70.9%, respectively, as of October 31, 2007 and April 30, 2007. The limited partners have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, IRET has the choice of redeeming the limited partners' interests ("Units") for IRET common shares of beneficial interest, on a one-for-one basis, or making a cash payment to the unitholder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units (provided, however, that in general not more than two redemptions by a limited partner may occur during each calendar year, and each limited partner may not exercise the redemption for less than 1,000 Units, or, if such limited partner holds less than 1,000 Units, for 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 and/or a greater number of redemptions during a calendar year.

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements of IRET have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America are omitted. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for the fair presentation of the Company's financial position, results of operations and cash flows for the interim periods have been included.

The current period's results of operations are not necessarily indicative of results which ultimately may be achieved for the year. The interim condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2007, filed with the SEC.

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**RECLASSIFICATIONS**

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. The Company reports, in discontinued operations, the results of operations of a property that has either been disposed of or is classified as held for sale and the related gains or losses, and as a result of discontinued operations, reclassifications of prior year numbers have been made.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits entities to irrevocably elect fair value on a contract-by-contract basis as the initial and subsequent measurement attribute for many financial assets and liabilities and certain other items including property and casualty insurance contracts. SFAS 159 is effective for the Company on May 1, 2008. We are currently assessing the impact of adopting SFAS 159.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for the Company on May 1, 2008. We are currently evaluating the impact of adopting
SFAS 157.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48, which was adopted by the Company effective May 1, 2007, did not have a material impact on the Company's cash flows, results of operations, financial position or liquidity.

**NOTE 3 • 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. The Company has no outstanding options, warrants, convertible stock or other contractual obligations requiring issuance of additional common shares that would result in a dilution of earnings. While Units can be exchanged for common shares on a one-for-one basis after a minimum holding period of one year, the exchange of Units for common shares has no effect on net income per share, as Unitholders and common shareholders effectively share equally in the net income of the Operating Partnership. The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted earnings per share reported in the condensed consolidated financial statements for the three months and six months ended October 31, 2007 and 2006:

| | Three Months Ended October 31 | | Six Months Ended October 31 | |
|---|---|---|---|---|
| | *(in thousands, except per share data)* | | | |
| | **2007** | **2006** | **2007** | **2006** |

| | | | | |
|---|---|---|---|---|
| NUMERATOR | | | | |
| Income from continuing operations | $ 2,836 | $ 2,227 | $ 5,817 | $ 4,924 |
| Discontinued operations, net | 0 | 1,281 | 0 | 1,697 |
| Net income | 2,836 | 3,508 | 5,817 | 6,621 |
| Dividends to preferred shareholders | (593) | (593) | (1,186) | (1,186) |
| Numerator for basic earnings per share net income available to common shareholders | 2,243 | 2,915 | 4,631 | 5,435 |
| Minority interest portion of operating partnership income | 859 | 1,038 | 1,846 | 1,771 |
| Numerator for diluted earnings per share | $ 3,102 | $ 3,953 | $ 6,477 | $ 7,206 |
| DENOMINATOR | | | | |
| Denominator for basic earnings per share - weighted average shares | 49,675 | 47,408 | 49,169 | 47,225 |
| Effect of convertible operating partnership units | 20,483 | 15,757 | 20,383 | 14,760 |
| Denominator for diluted earnings per share | 70,158 | 63,165 | 69,552 | 61,985 |
| | | | | |
| Earnings per common share from continuing operations basic and diluted | $ .04 | $ .03 | $ .09 | $ .08 |
| Earnings per common share from discontinued operations basic and diluted | .00 | .03 | .00 | .03 |
| NET INCOME PER COMMON SHARE BASIC AND DILUTED | $ .04 | $ .06 | $ .09 | $ .11 |

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**NOTE 4 • SHAREHOLDERS' EQUITY**

During the second quarter of fiscal year 2008, the Company sold 6,900,000 common shares in a public offering, at an offering price of $10.20 per share before underwriting discounts and commissions. Net proceeds of the offering (after deducting underwriting discounts and offering expenses) included in shareholders' equity totaled $66.4 million. In addition, as of October 31, 2007, 419,284 Units have been converted to common shares during fiscal year 2008, with a total value of $3.0 million included in shareholders' equity, and approximately 4,406 common shares have been issued under the Company's 401(k) plan, with a total value of $44,255 included in shareholders' equity.

**NOTE 5 • SEGMENT REPORTING**

IRET reports its results in five reportable segments: multi-family residential properties, and commercial office, medical (including senior housing), industrial and retail properties. Our reportable segments are aggregations of similar properties. The accounting policies of each of these segments are the same as those described in Note 2. We disclose segment information in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Disclosures* ("SFAS 131"). SFAS 131 requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing segment performance.

The revenues and net operating income for these reportable segments are summarized as follows for the three month and six month periods ended October 31, 2007 and 2006, along with reconciliations to the condensed consolidated financial statements. Segment assets are also reconciled to Total Assets as reported in the condensed consolidated financial statements.

***(in thousands)***

| **Three Months Ended October 31, 2007** | **Multi-Family Residential** | **Commercial-Office** | **Commercial-Medical** | **Commercial-Industrial** | **Commercial-Retail** | **Total** |
|---|---|---|---|---|---|---|
| Real estate revenue | $ 18,329 | $ 20,613 | $ 8,920 | $ 3,027 | $ 3,385 | $ 54,274 |
| Real estate expenses | 8,706 | 8,723 | 2,043 | 626 | 987 | 21,085 |
| Net operating income | $ 9,623 | $ 11,890 | $ 6,877 | $ 2,401 | $ 2,398 | 33,189 |
| Interest | | | | | | (15,687) |
| Depreciation/amortization | | | | | | (12,517) |
| Administrative, advisory and trustee fees | | | | | | (1,267) |
| Operating expenses | | | | | | (457) |
| Non-operating income | | | | | | 431 |
| Income before minority interest and discontinued operations and (loss) gain on sale of other investments | | | | | | $ 3,692 |

***(in thousands)***

| **Three Months Ended October 31, 2006** | **Multi-Family Residential** | **Commercial-Office** | **Commercial-Medical** | **Commercial-Industrial** | **Commercial-Retail** | **Total** |
|---|---|---|---|---|---|---|
| Real estate revenue | $ 16,883 | $ 17,795 | $ 8,638 | $ 1,844 | $ 3,478 | $ 48,638 |
| Real estate expenses | 7,769 | 7,549 | 2,178 | 195 | 1,072 | 18,763 |
| Net operating income | $ 9,114 | $ 10,246 | $ 6,460 | $ 1,649 | $ 2,406 | 29,875 |
| Interest | | | | | | (14,975) |
| Depreciation/amortization | | | | | | (11,257) |

| | |
|---|---|
| Administrative, advisory and trustee fees | (1,057) |
| Operating expenses | (335) |
| Non-operating income | 685 |
| Income before minority interest and discontinued operations and (loss) gain on sale of other investments | $ 2,936 |

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| Six Months Ended October 31, 2007 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| Real estate revenue | $ 36,110 | $ 41,215 | $ 17,885 | $ 5,689 | $ 7,017 | $ 107,916 |
| Real estate expenses | 17,016 | 17,444 | 4,316 | 1,125 | 2,089 | 41,990 |
| Net operating income | $ 19,094 | $ 23,771 | $ 13,569 | $ 4,564 | $ 4,928 | 65,926 |
| Interest | | | | | | (31,129) |
| Depreciation/amortization | | | | | | (25,065) |
| Administrative, advisory and trustee fees | | | | | | (2,463) |
| Operating expenses | | | | | | (710) |
| Non-operating income | | | | | | 1,066 |
| Income before minority interest and discontinued operations and (loss) gain on sale of other investments | | | | | | $ 7,625 |

| Six Months Ended October 31, 2006 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| Real estate revenue | $ 32,865 | $ 32,624 | $ 17,088 | $ 3,579 | $ 6,824 | $ 92,980 |
| Real estate expenses | 15,346 | 13,507 | 4,288 | 503 | 2,105 | 35,749 |
| Net operating income | $ 17,519 | $ 19,117 | $ 12,800 | $ 3,076 | $ 4,719 | 57,231 |
| Interest | | | | | | (27,906) |
| Depreciation/amortization | | | | | | (21,403) |
| Administrative, advisory and trustee fees | | | | | | (2,037) |
| Operating expenses | | | | | | (615) |
| Non-operating income | | | | | | 963 |
| Income before minority interest and discontinued operations and (loss) gain on sale of other investments | | | | | | $ 6,233 |

**Segment Assets and Accumulated Depreciation**

Segment assets are summarized as follows as of October 31, 2007, and April 30, 2007, along with reconciliations to the condensed consolidated financial statements:

| | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|
| | Multi-Family | Commercial- | Commercial- | Commercial- | Commercial- | |
| **As of October 31, 2007** | **Residential** | **Office** | **Medical** | **Industrial** | **Retail** | **Total** |
| Segment Assets | | | | | | |
| Property owned | $ 496,577 | $ 540,012 | $ 279,764 | $ 96,743 | $ 115,967 | $ 1,529,063 |
| Less accumulated depreciation/amortization | (96,044) | (51,005) | (28,300) | (9,328) | (15,005) | (199,682) |
| Total property owned | $ 400,533 | $ 489,007 | $ 251,464 | $ 87,415 | $ 100,962 | 1,329,381 |
| | | | | | | |
| Cash | | | | | | 89,302 |
| Marketable securities | | | | | | 2,090 |
| Receivables and other assets | | | | | | 71,258 |
| Unimproved land | | | | | | 14,454 |

| | |
|---|---|
| Mortgage receivables | 391 |
| Total Assets | $1,506,876 |

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| | | | *(in thousands)* | | | |
|---|---|---|---|---|---|---|
| | **Multi-Family** | **Commercial-** | **Commercial-** | **Commercial-** | **Commercial-** | |
| **As of April 30, 2007** | **Residential** | **Office** | **Medical** | **Industrial** | **Retail** | **Total** |
| Segment Assets | | | | | | |
| Property owned | $ 489,644 | $ 536,431 | $ 274,779 | $ 75,257 | $ 113,176 | $1,489,287 |
| Less accumulated depreciation/amortization | (89,541) | (44,204) | 24,787 | (8,257) | (13,755) | (180,544) |
| Total property owned | $ 400,103 | $ 492,227 | $ 249,992 | $ 67,000 | $ 99,421 | 1,308,743 |
| | | | | | | |
| Cash | | | | | | 44,516 |
| Marketable securities | | | | | | 2,048 |
| Receivables and other assets | | | | | | 72,291 |
| Unimproved land | | | | | | 7,392 |
| Mortgage receivables | | | | | | 399 |
| Total Assets | | | | | | $1,435,389 |

**NOTE 6 • COMMITMENTS AND CONTINGENCIES**

*Litigation.* IRET is involved in various lawsuits arising in the normal course of business. Management believes that such matters will not have a material effect on the Company’s financial statements.

*Insurance.* IRET carries insurance coverage on its properties in amounts and types that the Company believes are customarily obtained by owners of similar properties and are sufficient to achieve IRET’s risk management objectives.

*Purchase Options.* The Company has granted options to purchase certain Company properties to tenants in these properties, under lease agreements. In general, the 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 2% to 2.5% of the initial cost of the property to the Company. As of October 31, 2007, the total property cost of the 17 properties subject to purchase options was approximately $127.9 million, and the total gross rental revenues from these properties were approximately $3.2 million and $6.4 million, respectively for the three and six months ended October 31, 2007.

*Environmental Matters.* Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, certain hazardous or toxic substances in, on, around or under the property. While IRET currently has no knowledge of any violation of environmental laws, ordinances or regulations at any of its properties, there can be no assurance that areas of contamination will not be identified at any of the Company’s properties, or that changes in environmental laws, regulations or cleanup requirements would not result in significant costs to the Company.

*Restrictions on Taxable Dispositions.* Approximately 131 of IRET’s properties, consisting of approximately 6.5 million square feet of the Company’s combined commercial segments’ properties and 4,008 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 $779.1 million at October 31, 2007. The restrictions on taxable dispositions are effective for varying periods. The terms of these agreements generally prevent the Company from selling the properties in taxable transactions. The Company does not believe that the agreements materially affect the conduct of the Company’s business or decisions whether to dispose of restricted properties during the restriction period because the Company generally holds these and the Company's other properties for investment purposes, rather than for sale. Historically,

however, where IRET has deemed it to be in the shareholders' best interests to dispose of restricted properties, it has done so through transactions structured as tax-deferred transactions under Section 1031 of the Internal Revenue Code.

*Joint Venture Buy/Sell Options.* Certain of IRET's 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 the Company buy its partners' interests. IRET has one joint venture which allows IRET's unaffiliated partner, at its election, to require that IRET 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. The Company is not aware of any intent of the partners to exercise these options.

*Development Projects.* The Company has certain funding commitments under contracts for property development and renovation projects. As of October 31, 2007, IRET's funding commitments include the following:

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Southdale Medical Building Expansion Project: In July 2007, the Company signed a lease with an anchor tenant committing the Company to construct an approximately 26,000 square foot addition to the Company's existing Southdale Medical Building located in Edina, Minnesota. The estimated cost of this expansion project is approximately $7.5 million, with an additional approximately $2.0 million in relocation, tenant improvement and leasing costs expected to be incurred to relocate tenants in the existing facility. Construction began in September 2007, and the expansion project is scheduled for completion in July 2008. As of October 31, 2007, the Company has funded approximately $770,000 in construction costs for this expansion project.

IRET Corporate Plaza: During fiscal year 2007, the Company purchased an unimproved parcel of land in Minot, North Dakota for approximately $1.8 million. The Company is in the preliminary stages of construction of a mixed-use project for this site, to consist of approximately 67 apartments and 60,100 rentable square feet of office and retail space. The Company currently expects that it will move its Minot, North Dakota offices to this location, occupying approximately one-third of the proposed office/retail space. Current estimates are that the project would be completed in the second quarter of the Company's fiscal year 2009, at a total cost of approximately $17.8 million. However, because further design changes to the project are possible, the cost estimates are not yet firm, and no assurances can be given that this project will be completed as currently proposed. As of October 31, 2007, the Company has funded approximately $3.3 million of the estimated construction cost of this project.

2828 Chicago Avenue Medical Building: In fiscal year 2006, IRET purchased an approximately 55,000 square foot, five-story medical office building located in Minneapolis, Minnesota. During fiscal year 2007, IRET committed to construct an approximately 56,000 square foot medical office building adjacent to the existing structure, and an adjoining parking ramp, with a planned project completion date of August 2008 and an estimated total project cost of $15.7 million. As of July 2007, approximately 60% of this new medical office building has been pre-leased to an anchor tenant. Construction on the project began in August 2007, and as of October 31, 2007, the Company has paid approximately $2.2 million in construction costs.

Cottonwood Apartments: During fiscal year 2007, the Company began construction of a multi-family residential property adjacent to three existing apartment buildings owned by the Company in Bismarck, North Dakota. The 67-unit Cottonwood IV apartment complex is expected to cost approximately $6.1 million to construct, and is targeted for completion in the third quarter of fiscal year 2008. As of October 31, 2007, the Company has funded approximately $4.4 million of the estimated construction cost of this project.

Construction interest capitalized for the three month periods ended October 31, 2007 and 2006, respectively, was $22,765 and $14,939 for construction projects completed and in progress. Construction interest capitalized for the six month periods ended October 31, 2007 and 2006, respectively, was $30,520 and $17,774 for construction projects completed and in progress.

*Pending Acquisitions and Dispositions*. During the second quarter of fiscal year 2008, the Company signed purchase agreements to acquire a portfolio of six medical office buildings located in the Minneapolis/St. Paul metropolitan area for approximately $52.0 million. In regard to three of the six buildings, the Company would be acquiring leasehold interests only. We expect to assume the sellers' existing debt financing of approximately $29.0 million, and pay the approximately $23.0 million balance in cash and/or UPREIT units. The purchase of these properties is subject to the satisfactory completion by us of due diligence and the satisfaction of other customary closing conditions, and there can be no assurances that these proposed acquisitions will be completed on the general terms described above, or at all. Also during the second quarter of fiscal year 2008, the Company signed a purchase agreement to acquire a multi-family residential apartment complex in Omaha, Nebraska for a purchase price of approximately $4.7 million, payable in cash and/or UPREIT units. This proposed acquisition is subject to various closing conditions and

contingencies, and no assurances can be given that this transaction will be completed.

The tenant in four of the Company's Edgewood Vista senior housing facilities, located in, respectively, Fremont, Nebraska; Hastings, Nebraska; Omaha, Nebraska and Kalispell, Montana, has exercised its options to purchase these properties. Under the terms of the options, the sale prices for the properties, totaling approximately $3.1 million, were determined on the basis of independent appraisals. These dispositions are subject to various closing conditions and contingencies, and no assurances can be given that these proposed transactions will be completed.

**NOTE 7 • DISCONTINUED OPERATIONS**

SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, requires the Company to report in discontinued operations the results of operations of a property that has either been disposed of or is classified as held for sale. It also requires that any gains or losses from the sale of a property be reported in discontinued operations. There were no properties classified as discontinued operations during the six months ended October 31, 2007. The Company sold an assisted living facility and a small retail property during the second quarter of fiscal year 2007. The following information shows the effect on net income, net of minority interest, and the gains or losses from the sale of properties classified as discontinued operations.

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| | Three Months Ended October 31 | Six Months Ended October 31 |
|---|---|---|
| | *(in thousands)* | |
| | 2006 | 2006 |
| REVENUE | | |
| Real estate rentals | $ 367 | $ 914 |
| Tenant reimbursements | 19 | 35 |
| TOTAL REVENUE | 386 | 949 |
| OPERATING EXPENSE | | |
| Interest | 103 | 267 |
| Depreciation/amortization related to real estate investments | 62 | 181 |
| Utilities | 35 | 73 |
| Maintenance | 68 | 137 |
| Real estate taxes | 48 | 112 |
| Insurance | 7 | 18 |
| Property management expenses | 37 | 83 |
| Administrative expenses | 2 | 2 |
| Other operating expenses | 3 | 9 |
| Loss on impairment of real estate | 190 | 520 |
| TOTAL OPERATING EXPENSE | 555 | 1,402 |
| Operating loss | (169) | (453) |
| Other non-operating income | (1) | 0 |
| Loss before minority interest and gain on sale of other investments | (170) | (453) |
| Minority interest portion of operating partnership income | (402) | (523) |
| Gain on sale of discontinued operations | 1,853 | 2,673 |
| Discontinued operations, net of minority interest | $ 1,281 | $ 1,697 |

**NOTE 8 • ACQUISITIONS**

**Acquisitions During the Six Months Ended October 31, 2007:**

During the second quarter of fiscal year 2008, IRET completed no property acquisitions.

During the first quarter of fiscal year 2008, the Company acquired four office/warehouse properties and a medical office building for a total purchase price of approximately $27.2 million, excluding closing costs.

The following table details the Company’s acquisitions during the six months ended October 31, 2007:

| Acquisitions | *(in thousands)* Acquisition Cost |
|---|---|
| *Commercial Property Office* | |

| | | | |
|---|---|---|---|
| 20,528 sq. ft. Plymouth 5095 Nathan Lane Office Building | Plymouth, MN | $ | 2,000 |
| | | | |
| *Commercial Property* | *Medical (including senior housing/assisted living)* | | |
| 18,502 sq. ft. Barry Pointe Medical Building | Kansas City, MO | | 3,200 |
| | | | |
| *Commercial Property* | *Industrial* | | |
| 50,400 sq. ft. Cedar Lake Business Center | St. Louis Park, MN | | 4,040 |
| 528,353 sq. ft. Urbandale Warehouse Building | Urbandale, IA | | 14,000 |
| 69,600 sq. ft. Woodbury 1865 Woodlane | Woodbury, MN | | 4,000 |
| | | | |
| Total Property Acquisitions | | $ | 27,240 |

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**NOTE 9 • SUBSEQUENT EVENTS**

*Common and Preferred Share Distributions.* On November 19, 2007, the Company's Board of Trustees declared a regular quarterly distribution of 16.75 cents per share and unit on the Company's common shares of beneficial interest and limited partnership units of IRET Properties, payable January 14, 2008, to common shareholders and unitholders of record on January 2, 2008. Also on November 19, 2007, the Company's Board of Trustees declared a distribution of 51.56 cents per share on the Company's preferred shares of beneficial interest, payable December 31, 2007, to preferred shareholders of record on December 14, 2007.

*Completed and Pending Acquisitions and Dispositions.* Subsequent to the end of the second quarter of fiscal year 2008, the Company closed on the acquisition of a one-story office/warehouse property with approximately 78,000 square feet of rentable space, located in Brooklyn Park, Minnesota. The Company paid $6.5 million for this property, excluding closing costs, of which purchase price approximately $1.7 million was paid in UPREIT units of the Company's Operating Partnership.

Also subsequent to October 31, 2007, the Company signed a purchase agreement to acquire a two-story office building consisting of approximately 65,000 rentable square feet, located in Fenton, Missouri, for a purchase price of $7 million. This office building is currently owned by entities controlled by W. David Scott, a trustee of the Company. In accordance with the requirements of the Company's Declaration of Trust, the transaction was approved by a majority of the trustees and by a majority of the independent trustees not otherwise interested in the transaction, and the Company is obtaining an appraisal of the property to be carried out by an independent third-party appraiser. Under the Company's Declaration of Trust, the Company may not purchase this property at a price that exceeds the appraised value. This pending transaction is subject to various closing conditions and contingencies, and no assurances can be given that this transaction will be completed.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements included in this report, as well as the Company's audited financial statements for the fiscal year ended April 30, 2007, which are included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

*Forward Looking Statements.* Certain matters included in this discussion are forward looking statements within the meaning of the federal securities laws. Although we believe that the expectations reflected in the following statements are based on reasonable assumptions, we can give no assurance that the expectations expressed will actually be achieved. Many factors may cause actual results to differ materially from our current expectations, including general economic conditions, local real estate conditions, the general level of interest rates and the availability of financing and various other economic risks inherent in the business of owning and operating investment real estate.

*Overview.* IRET is a self-advised equity real estate investment trust engaged in owning and operating income-producing real properties. Our investments include multi-family residential properties and office, industrial, medical and retail properties located primarily in the upper Midwest states of Minnesota and North Dakota. Our properties are diversified by type and location. As of October 31, 2007, our real estate portfolio consisted of 69 multi-family residential properties containing 9,397 apartment units and having a total carrying amount (net of

accumulated depreciation and intangibles) of $400.5 million, and 152 commercial properties containing approximately 10.6 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation and intangibles) of $928.9 million. Our commercial properties consist of:

- 64 office properties containing approximately 4.8 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation and intangibles) of $489.0 million;

- 35 medical properties (including senior housing) containing approximately 1.7 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation and intangibles) of $251.5 million;

- 16 industrial properties containing approximately 2.7 million square feet of leasable space and having a total carrying amount (net of accumulated deprecation and intangibles) of $87.4 million; and

- 37 retail properties containing approximately 1.4 million square feet of leasable space and having a total carrying amount (net of accumulated depreciation and intangibles) of $101.0 million.

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Our primary source of income and cash is rents associated with multi-family residential and commercial leases. Our business objective is to increase shareholder value by employing a disciplined investment strategy. This strategy is focused on growing assets in desired geographical markets, achieving diversification by property type and location, and adhering to targeted returns in acquiring properties. We intend to continue to achieve our business objective by investing in multi-family residential properties and in office, industrial, retail and medical commercial properties that are leased to single or multiple tenants, usually for five years or longer, and are located throughout the upper Midwest. We operate mainly within the states of North Dakota and Minnesota, although we also have real estate investments in South Dakota, Montana, Nebraska, Colorado, Idaho, Iowa, Kansas, Michigan, Missouri, Texas and Wisconsin.

We compete with other owners and developers of multi-family and commercial properties to attract tenants to our properties, and we compete with other real estate investors to acquire properties. Principal areas of competition for tenants are in respect of rents charged and the attractiveness of location and quality of our properties. Competition for investment properties affects our ability to acquire properties we want to add to our portfolio, and the price we pay for acquisitions.

*Critical Accounting Policies.* In preparing the condensed consolidated financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A summary of the Company's critical accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2007, in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no significant changes to those policies during the second quarter of fiscal year 2008.

## 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 condensed consolidated financial statements.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 31, 2007 AND 2006

## REVENUES

Total IRET revenues for the second quarter of fiscal year 2008 were $54.3 million, compared to $48.6 million recorded in the second quarter of the prior fiscal year. This is an increase of $5.7 million or 11.7%. Revenues for the six months ended October 31, 2007 were $107.9 million compared to $93.0 million in the six months ended October 31, 2006. This is an increase of $14.9 million or 16.0%. This increase in revenue resulted primarily from the additional investments in real estate made by IRET during fiscal years 2007 and 2008, as well as other factors shown by the following analysis:

| | ***(in thousands)*** | |
|---|---|---|
| | **Increase in Total Revenue Three Months ended October 31, 2007** | **Increase in Total Revenue Six Months ended October 31, 2007** |
| | $ 4,412 | $ 11,882 |

| | | | | |
|---|---|---|---|---|
| Rent in Fiscal 2008 from 21 properties acquired in Fiscal 2007 in excess of that received in Fiscal 2007 from the same 21 properties | | | | |
| Rent from 5 properties acquired in Fiscal 2008 | | 766 | | 1,128 |
| Increase in rental income on stabilized properties primarily due to a decrease in tenant concessions granted | | 435 | | 1,771 |
| Increase in lease termination fees | | 23 | | 155 |
| Net increase in total revenue | $ | 5,636 | $ | 14,936 |

**NET OPERATING INCOME**

The following tables report segment financial information. We measure the performance of our segments based on net operating income ("NOI"), which we define as total revenues less property operating expenses and real estate taxes. 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 revenues, operating expenses and NOI by reportable operating segment for the three months and six months ended October 31, 2007 and 2006. For a reconciliation of net operating income of reportable segments to income before

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minority interest and discontinued operations and (loss) gain on sale of other investments as reported, see Note 5 of the Notes to the condensed consolidated financial statements in this report.

The tables also show net operating income by reportable operating segment on a stabilized property and non-stabilized property basis. Stabilized properties are properties owned and in operation for the entirety of the periods being compared (including properties that were redeveloped or expanded during the periods being compared, with properties purchased or sold during the periods being compared excluded from the stabilized property category). This comparison allows the Company to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a stabilized property basis is useful to investors because it enables evaluation of how the Company's 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.

*(in thousands)*

| Three Months Ended October 31, 2007 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| Real estate revenue | $ 18,329 | $ 20,613 | $ 8,920 | $ 3,027 | $ 3,385 | $ 54,274 |
| Real estate expenses | | | | | | |
| Utilities | 1,670 | 2,067 | 448 | 29 | 92 | 4,306 |
| Maintenance | 2,567 | 2,488 | 606 | 121 | 244 | 6,026 |
| Real estate taxes | 1,881 | 3,076 | 655 | 346 | 513 | 6,471 |
| Insurance | 290 | 227 | 14 | 34 | 42 | 607 |
| Property management | 2,298 | 865 | 320 | 96 | 96 | 3,675 |
| Total expenses | $ 8,706 | $ 8,723 | $ 2,043 | $ 626 | $ 987 | $ 21,085 |
| Net operating income | $ 9,623 | $ 11,890 | $ 6,877 | $ 2,401 | $ 2,398 | $ 33,189 |
| | | | | | | |
| Stabilized net operating income | $ 8,913 | $ 8,554 | $ 6,649 | $ 1,633 | $ 2,303 | $ 28,052 |
| Non-stabilized net operating income | 710 | 3,336 | 228 | 768 | 95 | 5,137 |
| Total net operating income | $ 9,623 | $ 11,890 | $ 6,877 | $ 2,401 | $ 2,398 | $ 33,189 |

*(in thousands)*

| Three Months Ended October 31, 2006 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| Real estate revenue | $ 16,883 | $ 17,795 | $ 8,638 | $ 1,844 | $ 3,478 | $ 48,638 |
| Real estate expenses | | | | | | |
| Utilities | 1,397 | 1,719 | 519 | 16 | 103 | 3,754 |
| Maintenance | 2,351 | 2,222 | 645 | 36 | 209 | 5,463 |
| Real estate taxes | 1,767 | 2,582 | 540 | 95 | 514 | 5,498 |
| Insurance | 270 | 184 | 67 | 17 | 41 | 579 |
| Property management | 1,984 | 842 | 407 | 31 | 205 | 3,469 |
| Total expenses | $ 7,769 | $ 7,549 | $ 2,178 | $ 195 | $ 1,072 | $ 18,763 |
| Net operating income | $ 9,114 | $ 10,246 | $ 6,460 | $ 1,649 | $ 2,406 | $ 29,875 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Stabilized net operating income | $ 8,897 | $ 8,542 | $ 6,382 | $ 1,649 | $ 2,307 | $ 27,777 |
| Non-stabilized net operating income | 217 | 1,704 | 78 | 0 | 99 | 2,098 |
| Total net operating income | $ 9,114 | $ 10,246 | $ 6,460 | $ 1,649 | $ 2,406 | $ 29,875 |

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| Six Months Ended October 31, 2007 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| Real estate revenue | $ 36,110 | $ 41,215 | $ 17,885 | $ 5,689 | $ 7,017 | $ 107,916 |
| Real estate expenses | | | | | | |
| Utilities | 3,163 | 3,889 | 987 | 50 | 173 | 8,262 |
| Maintenance | 5,020 | 5,084 | 1,186 | 210 | 537 | 12,037 |
| Real estate taxes | 3,790 | 6,145 | 1,309 | 639 | 1,027 | 12,910 |
| Insurance | 579 | 445 | 86 | 64 | 84 | 1,258 |
| Property management | 4,464 | 1,881 | 748 | 162 | 268 | 7,523 |
| Total expenses | $ 17,016 | $ 17,444 | $ 4,316 | $ 1,125 | $ 2,089 | $ 41,990 |
| Net operating income | $ 19,094 | $ 23,771 | $ 13,569 | $ 4,564 | $ 4,928 | $ 65,926 |
| Stabilized net operating income | $ 17,773 | $ 16,824 | $ 13,127 | $ 3,253 | $ 4,740 | $ 55,717 |
| Non-stabilized net operating income | 1,321 | 6,947 | 442 | 1,311 | 188 | 10,209 |
| Total net operating income | $ 19,094 | $ 23,771 | $ 13,569 | $ 4,564 | $ 4,928 | $ 65,926 |

| Six Months Ended October 31, 2006 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| Real estate revenue | $ 32,865 | $ 32,624 | $ 17,088 | $ 3,579 | $ 6,824 | $ 92,980 |
| Real estate expenses | | | | | | |
| Utilities | 2,724 | 2,786 | 917 | 23 | 181 | 6,631 |
| Maintenance | 4,672 | 3,977 | 1,253 | 91 | 444 | 10,437 |
| Real estate taxes | 3,540 | 4,812 | 1,140 | 294 | 1,027 | 10,813 |
| Insurance | 547 | 346 | 137 | 35 | 83 | 1,148 |
| Property management | 3,863 | 1,586 | 841 | 60 | 370 | 6,720 |
| Total expenses | $ 15,346 | $ 13,507 | $ 4,288 | $ 503 | $ 2,105 | $ 35,749 |
| Net operating income | $ 17,519 | $ 19,117 | $ 12,800 | $ 3,076 | $ 4,719 | $ 57,231 |
| Stabilized net operating income | $ 17,256 | $ 17,413 | $ 12,716 | $ 3,076 | $ 4,586 | $ 55,047 |
| Non-stabilized net operating income | 263 | 1,704 | 84 | 0 | 133 | 2,184 |
| Total net operating income | $ 17,519 | $ 19,117 | $ 12,800 | $ 3,076 | $ 4,719 | $ 57,231 |

**FACTORS IMPACTING NET OPERATING INCOME**

Real estate revenue increased in the three months and six months ended October 31, 2007 compared to the year-earlier periods in all of our reportable segments, despite declines in economic occupancy rates in three of our five segments during the three months and six months ended October 31, 2007 compared to the three months and six months ended October 31, 2006. Our overall level of tenant concessions declined in the first three months and six months of fiscal year 2008 compared to the year-earlier periods. Revenue increases in the first three and six months of fiscal year 2008

compared to the first three and six months of fiscal year 2007 were offset somewhat by increases in utility, maintenance, real estate tax, insurance and property management expense.

- ***Economic Occupancy*.** During the three and six months ended October 31, 2007, economic occupancy levels at our properties declined from year-earlier levels in three of our five reportable segments. Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of scheduled rental revenues for the period. Percentage rents, tenant concessions, straightline adjustments and expense reimbursements are not considered in computing either actual revenues or scheduled rent revenues. Economic occupancy rates on a stabilized property basis for the first three months and six months of fiscal year 2008, compared to the first three months and six months of fiscal year 2007, are shown below:

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| | Three Months Ended October 31, | | |
|---|---|---|---|
| | **2007** | **2006** | **% Change** |
| Multi-Family Residential | 94.1% | 94.4% | (0.3%) |
| Commercial Office | 91.7% | 90.4% | 1.3% |
| Commercial Medical | 95.5% | 97.1% | (1.6%) |
| Commercial Industrial | 98.0% | 93.5% | 4.5% |
| Commercial Retail | 86.6% | 89.0% | (2.4%) |

| | Six Months Ended October 31, | | |
|---|---|---|---|
| | **2007** | **2006** | **% Change** |
| Multi-Family Residential | 93.3% | 93.6% | (0.3%) |
| Commercial Office | 91.8% | 91.2% | 0.6% |
| Commercial Medical | 95.7% | 96.8% | (1.1%) |
| Commercial Industrial | 98.2% | 92.7% | 5.5% |
| Commercial Retail | 86.6% | 89.3% | (2.7%) |

While we saw strong demand for industrial space during the first and second quarters of fiscal year 2008, demand appears to be lessening as industrial users have become more cautious about committing to additional space. Industrial tenants with exposure to foreign markets or who export products outside the United States continue to actively seek additional space, but such tenants make up a small portion of IRET's industrial renters.

The uncertainty and volatility in the economy and credit markets have restrained demand for commercial and retail space throughout our portfolio. Despite a relatively healthy economic environment in almost all of our markets, we see no consistent pattern of growing demand for commercial office or smaller retail developments, which comprise a majority of IRET's retail portfolio. Speculative construction currently remains well contained in IRET's markets, and thus demand for commercial space remains reasonably solid, but appears to be constrained by non economic factors. IRET has limited exposure in our commercial portfolio to mortgage companies and single family home builders.

Our previous expectation was that demand in IRET's markets for our multi-family, medical, office and industrial locations would strengthen in the remaining quarters of fiscal year 2008. However, with the current volatility in the credit markets and in the single-family home mortgage market, growth in demand has been restrained, but it has not stopped or reversed. Our multi-family residential segment continues to improve with the level of tenant concessions slowly declining, and with limited rental increases being implemented. Provided the economy does not deteriorate, we expect this to continue for the balance of fiscal 2008 and into fiscal 2009, due to the tightening of credit standards which prevents many apartment renters from purchasing single family homes, condominium or townhome units.

- ***Concessions.*** Our overall level of tenant concessions declined in the first three months and six months of fiscal year 2008 compared to the year-earlier periods. To maintain or increase physical occupancy levels at our properties, we may offer tenant incentives, generally in the form of lower or abated rents, which results in decreased revenues and income from operations at our properties. Rent concessions offered during the three months ended October 31, 2007 will lower, over the lives of the respective leases, our operating revenues by approximately $0.7 million, as compared to an approximately $1.5 million reduction, over the lives of the respective leases, in operating revenues attributable to rent concessions offered in the three months ended October 31, 2006. Rent concessions offered during the six months ended October 31, 2007 will lower, over the lives of the respective leases, our operating revenues by approximately $1.8 million, as compared to an approximately $3.0 million reduction, over the lives of the respective leases, in

operating revenues attributable to rent concessions offered in the six months ended October 31, 2006:

| | *(in thousands)* | | |
|---|---|---|---|
| | **Three Months Ended October 31,** | | |
| | **2007** | **2006** | **% Change** |
| Multi-Family Residential | $ 618 | $ 870 | (29.0%) |
| Commercial Office | $ 125 | $ 554 | (77.4%) |
| Commercial Medical | $ 1 | $ 47 | (97.9%) |
| Commercial Industrial | $ 0 | $ 0 | 0% |
| Commercial Retail | $ 2 | $ 10 | (80.0%) |
| Total | $ 746 | $ 1,481 | (49.6%) |

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| | (in thousands) | | |
|---|---|---|---|
| | Six Months Ended October 31, | | |
| | 2007 | 2006 | % Change |
| Multi-Family Residential | $ 1,296 | $ 1,751 | (26.0%) |
| Commercial Office | $ 442 | $ 1,161 | (61.9%) |
| Commercial Medical | $ 5 | $ 59 | (91.5%) |
| Commercial Industrial | $ 0 | $ 0 | 0% |
| Commercial Retail | $ 8 | $ 14 | (42.9%) |
| Total | $ 1,751 | $ 2,985 | (41.3%) |

• ***Increased Maintenance Expense.*** Maintenance expenses totaled $6.0 million and $12.0 million, respectively, for the three and six months ended October 31, 2007, compared to $5.5 million and $10.4 million for the three and six months ended October 31, 2006. Maintenance expenses at properties newly acquired in fiscal years 2008 and 2007 added $698,000 to the maintenance expenses category, while maintenance expenses at existing ("stabilized") properties decreased by $135,000, resulting in a net increase in maintenance expenses of $563,000, or 10.3% for the three months ended October 31, 2007, compared to the corresponding period in fiscal year 2007. For the six months ended October 31, 2007, maintenance costs at properties newly acquired in fiscal years 2008 and 2007 added $1.5 million to the maintenance expenses category, and maintenance expenses at stabilized properties increased by $77,000, resulting in an increase of $1.6 million, or 15.3%, in maintenance costs, compared to the six months ended October 31, 2006.

Maintenance expenses by reportable segment for the three months and six months ended October 31, 2007 and 2006 are as follows:

| Three Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 2,567 | $ 2,488 | $ 606 | $ 121 | $ 244 | $ 6,026 |
| 2006 | $ 2,351 | $ 2,222 | $ 645 | $ 36 | $ 209 | $ 5,463 |
| Change | 216 | 266 | (39) | 85 | 35 | 563 |
| % change | 9.2% | 12.0% | (6.0%) | 236.1% | 16.7% | 10.3% |
| | | | | | | |
| Stabilized | $ 93 | $ (177) | $ (78) | $ (6) | $ 33 | $ (135) |
| Non-stabilized | $ 123 | $ 443 | $ 39 | $ 91 | $ 2 | $ 698 |
| Change | 216 | 266 | (39) | 85 | 35 | 563 |

| Six Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 5,020 | $ 5,084 | $ 1,186 | $ 210 | $ 537 | $ 12,037 |
| 2006 | $ 4,672 | $ 3,977 | $ 1,253 | $ 91 | $ 444 | $ 10,437 |
| Change | 348 | 1,107 | (67) | 119 | 93 | 1,600 |
| % change | 7.4% | 27.8% | (5.3%) | 130.8% | 20.9% | 15.3% |
| | | | | | | |
| Stabilized | $ 16 | $ 107 | $ (121) | $ (13) | $ 88 | $ 77 |
| Non-stabilized | $ 332 | $ 1,000 | $ 54 | $ 132 | $ 5 | $ 1,523 |
| Change | 348 | 1,107 | (67) | 119 | 93 | 1,600 |

- ***Increased Utility Expense.*** Utility expense totaled $4.3 million and $8.3 million, respectively, for the three and six months ended October 31, 2007, compared to $3.8 million and $6.6 million for the three and six months ended October 31, 2006, increases of, respectively, 14.7% and 24.6% over the year-earlier periods. Of these increases, approximately 71.0% and 60.5%, for the three and six month periods respectively, are due to the addition of new properties, while approximately 29.0% and 39.5%, respectively, are due to increases in utility costs at existing (stabilized) properties. Utility expenses at properties newly acquired in fiscal years 2008 and 2007 added $392,000 to the utility expenses category, while utility expenses at existing properties increased by $160,000, resulting in an increase of $552,000 for the three months ended October 31, 2007. For the six months ended October 31, 2007, utility expenses at properties newly acquired added $987,000 to the utility expenses category, while utility expenses at existing properties increased by $644,000, resulting in an increase in utility expenses of $1.6

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million.  The increases in utility costs at our stabilized properties are due primarily to unusually warm weather in certain of IRET's markets, resulting in increased cooling costs.

Utility expenses by reportable segment for the three months and six months ended October 31, 2007 and 2006 are as follows:

| Three Months Ended October 31, | Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| 2007 | $ 1,670 | $ 2,067 | $ 448 | $ 29 | $ 92 | $ 4,306 |
| 2006 | $ 1,397 | $ 1,719 | $ 519 | $ 16 | $ 103 | $ 3,754 |
| Change | 273 | 348 | (71) | 13 | (11) | 552 |
| % change | 19.5% | 20.2% | (13.7%) | 81.3% | (10.7%) | 14.7% |
| | | | | | | |
| Stabilized | $ 184 | $ 77 | $ (88) | $ (2) | $ (11) | $ 160 |
| Non-stabilized | $ 89 | $ 271 | $ 17 | $ 15 | $ 0 | $ 392 |
| Change | 273 | 348 | (71) | 13 | (11) | 552 |

| Six Months Ended October 31, | Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| 2007 | $ 3,163 | $ 3,889 | $ 987 | $ 50 | $ 173 | $ 8,262 |
| 2006 | $ 2,724 | $ 2,786 | $ 917 | $ 23 | $ 181 | $ 6,631 |
| Change | 439 | 1,103 | 70 | 27 | (8) | 1,631 |
| % change | 16.1% | 39.6% | 7.6% | 117.4% | 4.4% | 24.6% |
| | | | | | | |
| Stabilized | $ 226 | $ 386 | $ 35 | $ 5 | $ (8) | $ 644 |
| Non-stabilized | $ 213 | $ 717 | $ 35 | $ 22 | $ 0 | $ 987 |
| Change | 439 | 1,103 | 70 | 27 | (8) | 1,631 |

- ***Increased Real Estate Tax Expense.*** Real estate taxes on properties newly acquired in fiscal years 2008 and 2007 added $678,000 and $1.7 million, respectively, to real estate tax expense in the three months and six months ended October 31, 2007, compared to the year-earlier periods.  Real estate taxes on existing (stabilized) properties increased by $295,000 and $402,000, respectively, for total increases of $973,000 and $2.1 million, or 17.7% and 19.4%, compared to the year-earlier periods.

| Three Months Ended October 31, | Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| | *(in thousands)* | | | | | |
| 2007 | $ 1,881 | $ 3,076 | $ 655 | $ 346 | $ 513 | $ 6,471 |
| 2006 | $ 1,767 | $ 2,582 | $ 540 | $ 95 | $ 514 | $ 5,498 |
| Change | 114 | 494 | 115 | 251 | (1) | 973 |
| % change | 6.5% | 19.1% | 21.3% | 264.2% | (0.2%) | 17.7% |
| | | | | | | |
| Stabilized | $ 6 | $ 96 | $ 98 | $ 95 | $ 0 | $ 295 |
| Non-stabilized | $ 108 | $ 398 | $ 17 | $ 156 | $ (1) | $ 678 |

| Change | 114 | 494 | 115 | 251 | (1) | 973 |
|---|---|---|---|---|---|---|

Explanation of Responses:

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| Six Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 3,790 | $ 6,145 | $ 1,309 | $ 639 | $ 1,027 | $ 12,910 |
| 2006 | $ 3,540 | $ 4,812 | $ 1,140 | $ 294 | $ 1,027 | $ 10,813 |
| Change | 250 | 1,333 | 169 | 345 | 0 | 2,097 |
| % change | 7.1% | 27.7% | 14.8% | 117.3% | 0.0% | 19.4% |
| | | | | | | |
| Stabilized | $ (7) | $ 190 | $ 135 | $ 82 | $ 2 | $ 402 |
| Non-stabilized | $ 257 | $ 1,143 | $ 34 | $ 263 | $ (2) | $ 1,695 |
| Change | 250 | 1,333 | 169 | 345 | 0 | 2,097 |

- ***Increased Insurance Expense.*** Insurance expense totaled $607,000 and $1.3 million, respectively, for the three and six months ended October 31, 2007, compared to $579,000 and $1.1 million for the three and six months ended October 31, 2006. Insurance expenses at properties newly acquired in fiscal years 2008 and 2007 added $68,000 to the insurance expense category, while insurance expense at existing properties decreased by $40,000, resulting in a net increase in insurance expenses of $28,000 in the three months ended October 31, 2007, a 4.8% increase over insurance expenses in the three months ended October 31, 2006. For the six months ended October 31, 2007, insurance expenses at properties newly acquired in fiscal years 2008 and 2007 added $162,000 to the insurance expenses category, while insurance expenses at existing properties decreased by $52,000, resulting in a net increase of $110,000 in insurance expenses, a 9.6% increase over insurance expenses in the six months ended October 31, 2006.

Insurance expense by reportable segment for the three months and six months ended October 31, 2007 and 2006 is as follows:

| Three Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 290 | $ 227 | $ 14 | $ 34 | $ 42 | $ 607 |
| 2006 | $ 270 | $ 184 | $ 67 | $ 17 | $ 41 | $ 579 |
| Change | 20 | 43 | (53) | 17 | 1 | 28 |
| % change | 7.4% | 23.4% | (79.1%) | 100.0% | 2.4% | 4.8% |
| | | | | | | |
| Stabilized | $ 3 | $ 12 | $ (55) | $ (1) | $ 1 | $ (40) |
| Non-stabilized | $ 17 | $ 31 | $ 2 | $ 18 | $ 0 | $ 68 |
| Change | 20 | 43 | (53) | 17 | 1 | 28 |

| Six Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 579 | $ 445 | $ 86 | $ 64 | $ 84 | $ 1,258 |
| 2006 | $ 547 | $ 346 | $ 137 | $ 35 | $ 83 | $ 1,148 |
| Change | 32 | 99 | (51) | 29 | 1 | 110 |
| % change | 5.9% | 28.6% | (37.2%) | 82.9% | 1.2% | 9.6% |
| | | | | | | |
| Stabilized | $ (7) | $ 13 | $ (55) | $ (3) | $ 0 | $ (52) |
| Non-stabilized | $ 39 | $ 86 | $ 4 | $ 32 | $ 1 | $ 162 |

| Change | 32 | 99 | (51) | 29 | 1 | 110 |
|---|---|---|---|---|---|---|

- ***Increased Property Management Expense.*** Property management expense totaled $3.7 million and $7.5 million, respectively, for the three and six months ended October 31, 2007, compared to $3.5 million and $6.7 million for the three and six months ended October 31, 2006. Property management expenses at properties newly acquired in fiscal years 2008 and 2007 added $304,000 and $693,000, respectively, to the property management expenses category in the three and six months ended October 31, 2007, while property management expenses declined by $98,000 at existing (stabilized) properties in the three months ended October 31, 2007 compared to the three months ended October 31, 2006. Property management expenses increased by $110,000 at existing properties in the six months ended October 31, 2007 compared to the six months ended October 31, 2006.

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Property management expense by reportable segment for the three months and six months ended October 31, 2007 and 2006 is as follows:

| Three Months Ended October 31, | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|
| | Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
| 2007 | $ 2,298 | $ 865 | $ 320 | $ 96 | $ 96 | $ 3,675 |
| 2006 | $ 1,984 | $ 842 | $ 407 | $ 31 | $ 205 | $ 3,469 |
| Change | 314 | 23 | (87) | 65 | (109) | 206 |
| % change | 15.8% | 2.7% | (21.4%) | 209.7% | (53.2%) | 5.9% |
| | | | | | | |
| Stabilized | $ 187 | $ (107) | $ (96) | $ 32 | $ (114) | $ (98) |
| Non-stabilized | $ 127 | $ 130 | $ 9 | $ 33 | $ 5 | $ 304 |
| Change | 314 | 23 | (87) | 65 | (109) | 206 |

| Six Months Ended October 31, | *(in thousands)* | | | | | |
|---|---|---|---|---|---|---|
| | Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
| 2007 | $ 4,464 | $ 1,881 | $ 748 | $ 162 | $ 268 | $ 7,523 |
| 2006 | $ 3,863 | $ 1,586 | $ 841 | $ 60 | $ 370 | $ 6,720 |
| Change | 601 | 295 | (93) | 102 | (102) | 803 |
| % change | 15.6% | 18.6% | (11.1%) | 170.0% | (27.6%) | 11.9% |
| | | | | | | |
| Stabilized | $ 281 | $ (4) | $ (109) | $ 55 | $ (113) | $ 110 |
| Non-stabilized | $ 320 | $ 299 | $ 16 | $ 47 | $ 11 | $ 693 |
| Change | 601 | 295 | (93) | 102 | (102) | 803 |

**FACTORS IMPACTING NET INCOME**

Although revenue and net operating income increased during the second quarter of fiscal year 2008 compared to the second quarter of fiscal year 2007, net income available to common shareholders decreased by approximately $700,000 and $800,000 to $2.2 million and $4.6 million, respectively, for the three months and six months ended October 31, 2007, compared to $2.9 million and $5.4 million for the three months and six months ended October 31, 2006. The decrease in net income is due in part to the effect of a gain on sale included within discontinued operations in the three and six months ended October 31, 2006. Additionally, the increases in property operating expenses and real estate taxes discussed above, as well as the following factors, also impacted net income in the second quarter of fiscal year 2008:

- ***Increased Mortgage Interest Expense.*** Our mortgage interest expense increased approximately $1.4 million, or 10.7%, to approximately $15.4 million during the second quarter of fiscal year 2008, compared to $14.0 million in the second quarter of fiscal year 2007, due to properties newly acquired in fiscal years 2008 and 2007. Our overall weighted average interest rate on all outstanding mortgage debt was 6.36% as of October 31, 2007, compared to 6.43% as of October 31, 2006. Our mortgage debt increased approximately $16.5 million, or 1.7%, to approximately $967.6 million as of October 31, 2007, compared to $951.1 million on April 30, 2007.

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Mortgage interest expense by reportable segment for the three months and six months ended October 31, 2007 and 2006 is as follows:

| Three Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 4,920 | $ 5,777 | $ 2,822 | $ 872 | $ 1,050 | $ 15,441 |
| 2006 | $ 4,622 | $ 4,921 | $ 2,821 | $ 561 | $ 1,029 | $ 13,954 |
| Change | 298 | 856 | 1 | 311 | 21 | 1,487 |
| % change | 6.4% | 17.4% | 0.0% | 55.4% | 2.0% | 10.7% |
| | | | | | | |
| Stabilized | $ 39 | $ (84) | $ (78) | $ (16) | $ 4 | $ (135) |
| Non-stabilized | $ 259 | $ 940 | $ 79 | $ 327 | $ 17 | $ 1,622 |
| Change | 298 | 856 | 1 | 311 | 21 | 1,487 |

| Six Months Ended October 31, | (in thousands) Multi-Family Residential | Commercial Office | Commercial Medical | Commercial Industrial | Commercial Retail | Total |
|---|---|---|---|---|---|---|
| 2007 | $ 9,779 | $ 11,507 | $ 5,646 | $ 1,641 | $ 2,056 | $ 30,629 |
| 2006 | $ 9,029 | $ 8,743 | $ 5,620 | $ 1,120 | $ 2,011 | $ 26,523 |
| Change | 750 | 2,764 | 26 | 521 | 45 | 4,106 |
| % change | 8.3% | 31.6% | 0.5% | 46.5% | 2.2% | 15.5% |
| | | | | | | |
| Stabilized | $ 190 | $ (122) | $ (132) | $ (30) | $ (30) | $ (124) |
| Non-stabilized | $ 560 | $ 2,887 | $ 157 | $ 551 | $ 75 | $ 4,230 |
| Change | 750 | 2,765 | 25 | 521 | 45 | 4,106 |

- ***Increased Amortization Expense.*** In accordance with SFAS No. 141, *Business Combinations*, which establishes standards for valuing in-place leases in purchase transactions, the Company allocates a portion of the purchase price paid for properties to in-place lease intangible assets. The amortization period of these intangible assets is the term of the lease, rather than the estimated life of the buildings and improvements. The Company accordingly initially records additional amortization expense due to this shorter amortization period, which has the effect in the short term of decreasing the Company's net income available to common shareholders, as computed in accordance with GAAP. Amortization expense related to in-places leases totaled $2.4 million in the second quarter of fiscal year 2008, compared to $2.3 million in the second quarter of fiscal year 2007.

**CREDIT RISK**

The following table lists our top ten commercial tenants on October 31, 2007, for all commercial properties owned by us. No single tenant accounted for more than 10% of revenues from commercial properties during the second quarter of fiscal year 2008.

| Lessee | % of Total Commercial Segments' Minimum Rents |
|---|---|

| | **as of October 31, 2007** |
|---|---|
| Edgewood Vista Senior Living, Inc. | 6.3% |
| St. Lukes Hospital of Duluth, Inc. | 3.9% |
| Applied Underwriters | 2.5% |
| Best Buy Co., Inc. (NYSE: BBY) | 2.3% |
| UGS Corp. | 1.9% |
| HealthEast Care System | 1.8% |
| Microsoft (Nasdaq: MSFT) | 1.7% |
| Smurfit - Stone Container (Nasdaq: SSCC) | 1.6% |
| UnitedHealth Group (NYSE: UNH) | 1.6% |
| Allina Health System | 1.6% |
| All Others | 74.8% |
| Total Monthly Rent as of October 31, 2007 | 100.0% |

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**PROPERTY ACQUISITIONS**

**Acquisitions During the Six Months Ended October 31, 2007:**

During the second quarter of fiscal year 2008, IRET completed no property acquisitions.

During the first quarter of fiscal year 2008, the Company acquired four office/warehouse properties and a medical office building for a total purchase price of approximately $27.2 million, excluding closing costs.

See Note 8 of Notes to Condensed Consolidated Financial Statements above for a table detailing the Company's acquisitions during the six months ended October 31, 2007.

**FUNDS FROM OPERATIONS FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 31, 2007 AND 2006**

IRET considers Funds from Operations ("FFO") a useful measure of performance for an equity REIT. IRET uses the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") in 1991, as clarified in 1995, 1999 and 2002. 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." Because of limitations of the FFO definition adopted by NAREIT, IRET has made certain interpretations in applying the definition. IRET believes all such interpretations not specifically provided for in the NAREIT definition are consistent with the definition.

IRET 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 IRET's 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 real estate, as an asset class, generally appreciates over time and that depreciation charges required by GAAP may not reflect underlying economic realities. Additionally, the exclusion, in NAREIT's definition of FFO, of gains and losses from the sales of previously depreciated operating real estate assets, allows IRET management and investors better to identify the operating results of the long-term assets that form the core of IRET's investments, and assists in comparing those operating results between periods. FFO is used by IRET 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 IRET's 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 IRET's needs or its ability to service indebtedness or make distributions.

FFO applicable to common shares and Units for the three months and six months ended October 31, 2007 increased to $15.6 million and $31.4 million, compared to $13.4 million and $26.0 million for the comparable periods ended October 31, 2006, an increase of 16.4% and 20.8%, respectively.

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**RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS**

| Three Months Ended October 31, | *(in thousands, except per share amounts)* 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Amount | Weighted Avg Shares and Units(2) | Per Share and Unit(3) | Amount | Weighted Avg Shares and Units(2) | Per Share and Unit(3) |
| Net income | $ 2,836 | | | $ 3,508 | | |
| Less dividends to preferred shareholders | (593) | | | (593) | | |
| Net income available to common shareholders | 2,243 | 49,675 | $ .04 | 2,915 | 47,408 | $ .06 |
| Adjustments: | | | | | | |
| Minority interest in earnings of Unitholders | 859 | 20,483 | | 1,038 | 15,757 | |
| Depreciation and amortization(1) | 12,452 | | | 11,262 | | |
| (Gains)/loss on depreciable property sales | (3) | | | (1,817) | | |
| Funds from operations applicable to common shares and Units | $ 15,551 | 70,158 | $ .22 | $ 13,398 | 63,165 | $ .21 |

| Six Months Ended October 31, | *(in thousands, except per share amounts)* 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Amount | Weighted Avg Shares and Units(2) | Per Share and Unit(3) | Amount | Weighted Avg Shares and Units(2) | Per Share and Unit(3) |
| Net income | $ 5,817 | | | $ 6,621 | | |
| Less dividends to preferred shareholders | (1,186) | | | (1,186) | | |
| Net income available to common shareholders | 4,631 | 49,169 | $ .09 | 5,435 | 47,225 | $ .11 |
| Adjustments: | | | | | | |
| Minority interest in earnings of Unitholders | 1,846 | 20,383 | | 1,771 | 14,760 | |
| Depreciation and amortization(4) | 24,937 | | | 21,467 | | |
| (Gains)/loss on depreciable property sales | (2) | | | (2,637) | | |
| Funds from operations applicable to common shares and Units | $ 31,412 | 69,552 | $ .45 | $ 26,036 | 61,985 | $ .42 |

*(1) Real estate depreciation and amortization consists of the sum of depreciation/amortization related to real estate investments and amortization related to non-real estate investments from the Condensed Consolidated Statements of Operations, totaling $12,517 and $11,257, and depreciation/amortization from Discontinued Operations of $0 and $62, less corporate-related depreciation and amortization on office equipment and other assets of $65 and $57, for the three months ended October 31, 2007 and 2006, respectively.*

*(2) UPREIT Units of the Operating Partnership are exchangeable for common shares of beneficial interest on a one-for-one basis.*

*(3) Net income is calculated on a per share basis. FFO is calculated on a per share and unit basis.*

*(4) Real estate depreciation and amortization consists of the sum of depreciation/amortization related to real estate investments and amortization related to non-real estate investments from the Condensed Consolidated Statements of Operations, totaling $25,065 and $21,403, and depreciation/amortization from Discontinued Operations of $0 and $181, less corporate-related depreciation and amortization on office equipment and other assets of $128 and $117, for the six months ended October 31, 2007 and 2006, respectively.*

**DISTRIBUTIONS**

The following distributions per common share and unit were paid during the six months ended October 31 of fiscal years 2008 and 2007:

| **Month** | **Fiscal Year 2008** | **Fiscal Year 2007** |
|---|---|---|
| July 1 | $ .1665 | $ .1645 |
| October 1 | .1670 | .1650 |
| Total | $ .3335 | $ .3295 |

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## LIQUIDITY AND CAPITAL RESOURCES

### OVERVIEW

The Company's principal liquidity demands are distributions to the holders of the Company's common and preferred shares of beneficial interest and UPREIT Units, capital improvements and repairs and maintenance for the properties, acquisition of additional properties, property development, tenant improvements and debt repayments.

The Company expects to meet its short-term liquidity requirements through net cash flows provided by its operating activities, and through draws from time to time on its unsecured lines of credit. Management considers the Company's ability to generate cash to be adequate to meet all operating requirements and to make distributions to its 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 expected to be funded from cash flow generated from operations of current properties.

To the extent the Company does not satisfy its long-term liquidity requirements, which consist primarily of maturities under the Company's long-term debt, maturing investment certificates, construction and development activities and potential acquisition opportunities, through net cash flows provided by operating activities and its credit facilities, the Company intends to satisfy such requirements through a combination of funding sources which the Company believes will be available to it, including the issuance of UPREIT Units, additional common or preferred equity, proceeds from the sale of properties, and additional long-term secured or unsecured indebtedness.

### SOURCES AND USES OF CASH

As of October 31, 2007, the Company had three unsecured lines of credit, in the amounts of $10.0 million, $12.0 million and $10.0 million, respectively, from (1) Bremer Bank, Minot, ND; (2) First Western Bank and Trust, Minot, ND; and (3) First International Bank and Trust, Watford City, ND. The Company had no outstanding borrowings on these lines as of October 31, 2007. Borrowings under the lines of credit bear interest based on the following: (1) Bremer Financial Corporation Reference Rate, (2) 175 basis points below the Prime Rate as published in the Wall Street Journal with a floor of 5.25% and a ceiling of 8.25%, and (3) Wall Street Journal prime rate. Increases in interest rates will increase the Company's interest expense on any borrowings under its lines of credit and as a result will affect the Company's results of operations and cash flows. The Company's lines of credit with Bremer Bank, First Western Bank and First International Bank and Trust expire in September 2008, December 2011 and December 2007, respectively. The Company will seek to renew these lines of credit prior to their expiration.

The issuance of UPREIT Units for property acquisitions continues to be an expected source of capital for the Company. In the second quarter of fiscal year 2008, there were no Units issued in connection with property acquisitions. In the second quarter of fiscal year 2007, Units valued at $56.8 million were issued in connection with the Company's acquisition of nine commercial office complexes from subsidiaries of Magnum Resources, Inc.

The Company has a Distribution Reinvestment Plan ("DRIP"). The DRIP provides common shareholders and UPREIT Unitholders of the Company an opportunity to invest their cash distributions in common shares of the Company at a discount of 5% from the market price. The Company issued 243,621 common shares under its DRIP during the second quarter of fiscal year 2008.

Cash and cash equivalents on October 31, 2007 totaled $89.3 million, compared to $67.9 million on October 31, 2006. The net decrease in cash and cash equivalents during this period was $5.5 million. Net cash used for investing

activities decreased by $77.6 million, primarily due to less cash received from sales of properties and less cash used for acquisitions compared to the second quarter of fiscal year 2007; and net cash provided by financing activities decreased by $83.0 million primarily due to lower net mortgage loan proceeds offset by the issuance of 6.9 million common shares with net proceeds of $66.4 million as compared to the second quarter of fiscal year 2007.

**FINANCIAL CONDITION**

*Mortgage Loan Indebtedness.* Mortgage loan indebtedness increased to $967.6 million on October 31, 2007, due to new debt placed on new and existing properties, from $951.1 million on April 30, 2007. Approximately 97.5% of such mortgage debt is at fixed rates of interest, with staggered maturities. This limits the Company’s exposure to changes in interest rates, which minimizes the effect of interest rate fluctuations on the Company’s results of operations and cash flows. As of October 31, 2007, the weighted average rate of interest on the Company’s mortgage debt was 6.36%, compared to 6.43% on April 30, 2007.

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*Real Estate Owned.* Real estate owned increased to $1,529.1 million at October 31, 2007 from $1,489.3 million at April 30, 2007. The increase resulted primarily from the acquisition of the additional investment properties as described above in the "Property Acquisitions " subsection of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

*Cash and Cash Equivalents.* Cash and cash equivalents on hand on October 31, 2007 were $89.3 million, compared to $44.5 million on April 30, 2007. The increase in cash on hand on October 31, 2007, as compared to April 30, 2007, was due primarily to the net proceeds received from the Company's sale in October 2007 of 6.9 million common shares in a public offering.

*Marketable Securities.* The Company's investment in marketable securities classified as available-for-sale was $2.1 million on October 31, 2007, and $2.0 million on April 30, 2007. Marketable securities are held available for sale and, from time to time, the Company invests excess funds in such securities or uses the funds so invested for operational purposes.

*Operating Partnership Units.* Outstanding units in the Operating Partnership increased to 20.1 million Units on October 31, 2007, compared to 20.0 million Units outstanding on April 30, 2007. This increase resulted primarily from the issuance of additional limited partnership units to acquire interests in real estate, net of Units converted to common shares.

*Common and Preferred Shares of Beneficial Interest.* Common shares of beneficial interest outstanding on October 31, 2007 totaled 56.4 million, compared to 48.6 million outstanding on April 30, 2007. This increase in common shares outstanding was primarily due to the Company's October 2007 public offering of 6.9 million shares. The Company also issued common shares pursuant to our Distribution Reinvestment Plan, consisting of approximately 281,447 common shares issued on July 2, 2007 and approximately 243,621 common shares issued on October 1, 2007, for total value of $5.4 million. Conversions of 39,544 UPREIT Units to common shares, for a total of $303,000 in shareholders' equity, in the first three months of fiscal year 2008, and of 379,740 UPREIT Units to common shares for a total for $2.7 million in shareholders equity in the second quarter of fiscal year 2008, also increased the Company's common shares of beneficial interest outstanding during the three and six months ended October 31, 2007. Preferred shares of beneficial interest outstanding on October 31, 2007 and April 30, 2007 totaled 1.2 million.

**PENDING ACQUISTIONS AND DISPOSITIONS**

During the second quarter of fiscal year 2008, the Company signed purchase agreements to acquire a portfolio of six medical office buildings located in the Minneapolis/St. Paul metropolitan area for approximately $52.0 million. In regard to three of the six buildings, the Company would be acquiring leasehold interests only. We expect to assume the sellers' existing debt financing of approximately $29.0 million, and pay the approximately $23.0 million balance in cash and/or UPREIT units. The purchase of these properties is subject to the satisfactory completion by us of due diligence and the satisfaction of other customary closing conditions, and there can be no assurances that these proposed acquisitions will be completed on the general terms described above, or at all. Also during the second quarter of fiscal year 2008, the Company signed a purchase agreement to acquire a multi-family residential apartment complex in Omaha, Nebraska for a purchase price of approximately $4.7 million, payable in cash and/or UPREIT units. This proposed acquisition is subject to various closing conditions and contingencies, and no assurances can be given that this transaction will be completed.

The tenant in four of the Company's Edgewood Vista senior housing facilities, located in, respectively, Fremont, Nebraska; Hastings, Nebraska; Omaha, Nebraska and Kalispell, Montana, has exercised its options to purchase these properties. Under the terms of the options, the sale prices for the properties, totaling approximately $3.1 million, were determined on the basis of independent appraisals. These dispositions are subject to various closing conditions and contingencies, and no assurances can be given that these proposed transactions will be completed.

**ITEM 3. 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.

*Variable interest rates.* Because approximately 98% of our debt, as of October 31, 2007 (97% as of April 30, 2007), is at fixed interest rates, we have little exposure to interest rate fluctuation risk on our existing debt, and accordingly interest rate increases during the second quarter of fiscal year 2008 did not have a material effect on the Company. However, even though our goal is to maintain a fairly low exposure to interest rate risk, we are still 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 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 October 31, 2007, we had the following amount of future principal and interest payments due on mortgages secured by our real estate:

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| Long Term Debt | Remaining Fiscal 2008 | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| | **Future Principal Payments (in thousands)** | | | | | | |
| Fixed Rate | $ 18,598 | $ 45,414 | $126,873 | $100,351 | $ 82,701 | $ 569,695 | $ 943,632 |
| Variable Rate | 580 | 3,655 | 3,588 | 1,156 | 3,250 | 11,751 | 23,980 |
| | | | | | | | $ 967,612 |
| Average Interest Rate (%) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |

| Long Term Debt | Remaining Fiscal 2008 | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| | **Future Interest Payments (in thousands)** | | | | | | |
| Fixed Rate | $ 29,865 | $ 57,708 | $ 52,338 | $ 44,405 | $ 38,104 | $ 167,303 | $ 389,723 |
| Variable Rate(2) | 711 | 1,379 | 1,143 | 1,015 | 847 | 1,247 | 6,342 |
| | | | | | | | $ 396,065 |
| Average Interest Rate (%) | (1) | (1) | (1) | (1) | (1) | (1) | (1) |

*(1) The weighted average interest rate on our debt as of October 31, 2007, was 6.36%. Any fluctuations in variable interest rates could increase or decrease our interest expenses. For example, an increase of one percent per annum on our $24.0 million of variable rate indebtedness would increase our annual interest expense by $240,000.*

*(2) Based on rates in effect at October 31, 2007.*

**ITEM 4. CONTROLS AND PROCEDURES**

IRET's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of October 31, 2007, such disclosure controls and procedures were effective.

Internal Control Over Financial Reporting: There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II OTHER INFORMATION

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

There have been no material changes in the risk factors disclosed in our Annual Report on Form 10-K for the year ending April 30, 2007.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the second quarter of fiscal year 2008, the Company issued an aggregate of 250,007 unregistered common shares to holders of limited partnership units of IRET Properties, on a one-for-one basis upon redemption and conversion of an equal number of limited partnership units. All such issuances of common shares were exempt from registration as private placements under Section 4(2) of the Securities Act, including Regulation D promulgated thereunder. The Company has registered the re-sale of such common shares under the Securities Act.

**Item 3. Defaults Upon Senior Securities.**

None

**Item 4. Submission of Matters to a Vote of Security Holders.**

At the Company's Annual Meeting of Shareholders, held on September 18, 2007, the following action was taken:

The shareholders elected the nine individuals nominated to serve as trustees of the Company until the 2008 Annual Meeting of Shareholders or until the election and qualification of their successors, as set forth in Proxy Item No. 1 in the Company's notice of the Annual Meeting and the Proxy Statement relating to the Annual Meeting. The nine individuals elected, and the number of votes cast for, or withheld, with respect to each of them, follows:

| Nominee | Votes For | Votes Withheld |
|---|---:|---:|
| Patrick G. Jones | 31,574,693 | 259,042 |
| Timothy P. Mihalick | 31,531,868 | 301,867 |
| Jeffrey L. Miller | 31,577,619 | 256,116 |
| Stephen L. Stenehjem | 31,584,081 | 249,654 |
| John D. Stewart | 31,569,777 | 263,958 |
| Thomas A. Wentz, Jr. | 30,947,325 | 886,410 |
| Edward T. Schafer | 31,551,107 | 282,628 |
| C.W. "Chip" Morgan | 31,578,428 | 255,308 |
| W. David Scott | 31,259,951 | 573,785 |

The proposal to approve amendment of the Company's Declaration of Trust to allow the Company to issue shares and provide for transfers of shares without issuing physical certificates to evidence those shares, as set forth in Proxy Item No. 2 in the Company's Notice of Annual Meeting and the Proxy Statement relating to the Annual Meeting, received

the following votes:

- 30,126,718 Votes for Approval
- 1,116,268 Votes Against
- 590,748 Abstentions

There were no broker non-votes for this item.

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The proposal to approve the appointment of Deloitte & Touche LLP as the Company's independent auditors for fiscal year 2008, as set forth in Proxy Item No. 3, received the following votes:

- 31,520,454 Votes for Approval
- 82,211 Votes Against
- 231,068 Abstentions

There were no broker non-votes for this item.

**Item 5. Other Information.**

On September 19, 2007, the Compensation Committee of the Board of Trustees voted to increase the compensation paid to the Company's non-management trustees, retroactive to the start of fiscal year 2008. A table setting forth the compensation levels for the Company's non-management trustees for fiscal year 2008 is filed as Exhibit 10 to this Quarterly Report on Form 10-Q, and is incorporated herein by reference.

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 10 | Material Agreement - Trustee Compensation |
| 31.1 | Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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**Signatures**

Pursuant to the requirements 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.

**INVESTORS REAL ESTATE TRUST**
(Registrant)

/s/ Thomas A. Wentz, Sr.
Thomas A. Wentz, Sr.
President and Chief Executive Officer

/s/ Diane K. Bryantt
Diane K. Bryantt
Senior Vice President and Chief Financial Officer
Date: December 10, 2007