INVESTORS REAL ESTATE TRUST
Form 424B5
October 06, 2009

Filed Pursuant to Rule 424(b)(5)
Registration Nos.: 333-153715 and 333-162349

PROSPECTUS Supplement
(To Prospectus dated October 10, 2008)

8,000,000 Common Shares of Beneficial Interest

We are a self-advised equity real estate investment trust that owns and operates commercial office, medical, industrial and retail properties and multi-family residential properties located primarily in the upper Midwest.

We are offering 8,000,000 common shares of beneficial interest, no par value. Our common shares are traded on the NASDAQ Global Select Market under the symbol "IRET." On October 5, 2009, the last reported sale price of our common shares, as reported on the NASDAQ Global Select Market, was $8.71 per share.

Investing in our common shares involves substantial risks. See "Risk Factors" beginning on page 8 of the accompanying prospectus, and page 10 of our Annual Report on Form 10-K for the fiscal year ended April 30, 2009.

	Per Share	Total
Public offering price	$8.25	$66,000,000
Underwriting discount	$0.4125	$3,300,000
Proceeds, before expenses, to us	$7.8375	$62,700,000

The underwriters have a 30-day option to purchase up to an additional 1,200,000 common shares from us on the same terms set forth above, to cover over-allotments, if any.

In part so that we can continue to qualify as a real estate investment trust for federal income tax purposes, our declaration of trust generally does not permit anyone to own more than 9.8% of our outstanding common shares. See "Description of Common Shares" in the accompanying prospectus.

Delivery of the shares will be made on or about October 9 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Robert W. Baird & Co. RBC Capital Markets
Janney Montgomery Scott
D.A. Davidson & Co. J.J.B. Hilliard, W.L. Lyons, LLC

October 5, 2009

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Special Note Regarding Forward-Looking Statements

Certain statements included in this prospectus supplement, the accompanying prospectus and the documents incorporated into this prospectus supplement and the accompanying prospectus by reference are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements include statements about our intention to invest in properties that we believe will increase in income and value; our belief that the real estate markets in which we invest will continue to perform well; our belief that we have the liquidity and capital resources necessary to meet our known obligations and to make additional real estate acquisitions and capital improvements when appropriate to enhance long-term growth; and other statements preceded by, followed by or otherwise including words such as “believe,” “expect,” “intend,” “project,” “anticipate,” “potential,” “may,” “designed,” “estimate,” “should,” “continue” and other similar expressions. These statements indicate that we have used assumptions that are subject to a number of risks and uncertainties that could cause our actual results or performance to differ materially from those projected.

Although we believe that the expectations reflected in forward-looking statements are based on reasonable assumptions, you should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Important factors that could cause our actual results to differ materially from the expectations reflected in our forward-looking statements are discussed in “Risk Factors” on page 8 of the accompanying prospectus and page 10 of our Annual Report on Form 10-K for the fiscal year ended April 30, 2009 and include:

- the economic health of the markets in which we own and operate multi-family and commercial properties, in particular, the states of Minnesota and North Dakota, or other markets in which we may invest in the future;
- the economic health of our commercial tenants;
- market rental conditions, including occupancy levels and rental rates, for multi-family residential and commercial properties;
- our ability to identify and secure additional multi-family residential and commercial properties that meet our criteria for investment;
- the level and volatility of prevailing market interest rates and the pricing of our shares of beneficial interest;
- financing risks, such as our inability to obtain debt or equity financing on favorable terms, or at all;
- our ability to timely complete and lease-up properties under construction;
- compliance with applicable laws, including those concerning the environment and access by persons with disabilities;
- the availability and cost of casualty insurance for losses; and
- other factors discussed under the heading “Risk Factors” in the accompanying prospectus, in our Annual Report on Form 10-K for the fiscal year ended April 30, 2009, and in other documents filed with the Securities and Exchange Commission, or SEC, and incorporated by reference into this prospectus supplement.

In light of these uncertainties, the events anticipated by our forward-looking statements might not occur and we caution you not to place undue reliance on any of our forward-looking statements. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise, and those statements speak only as of the date made. The foregoing review of factors that could cause our actual results to differ materially from those contemplated in any forward-looking statements should not be construed as exhaustive.

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Documents Incorporated By Reference

The SEC allows us to incorporate by reference our publicly-filed reports into this prospectus supplement, which means that information included in those reports is considered part of this prospectus. Information that we file with the SEC after the date of this prospectus will automatically update and supersede the information contained in this prospectus supplement and in prior reports. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until all of the securities offered pursuant to this prospectus supplement have been sold. Unless expressly incorporated into this prospectus supplement, a report, or part of a report, furnished, but not filed, on Form 8-K under the Exchange Act shall not be incorporated by reference into this prospectus supplement. The following documents filed with the SEC are incorporated by reference in this prospectus supplement:

- Annual Report on Form 10-K for the year ended April 30, 2009 filed on July 14, 2009;
- Quarterly Report on Form 10-Q for the quarter ended July 31, 2009 filed on September 9, 2009;
- Current Reports on Forms 8-K filed on September 18, 2009;
- The description of our common shares of beneficial interest contained in our Registration Statement on Form 10 (File No. 0-14851), dated July 29, 1986, as amended by the Amended Registration Statement on Form 10, dated December 17, 1986, and the Second Amended Registration Statement on Form 10, dated March 12, 1987; and
- The description of our Series A Cumulative Redeemable Preferred Shares of Beneficial Interest contained in our registration statement on Form 8-A, dated April 21, 2004 and filed April 22, 2004.

You may request a copy of these documents, and any exhibits we have specifically incorporated by reference as an exhibit in this prospectus supplement, at no cost by writing to us at the following address or calling us at the telephone number listed below:

Investors Real Estate Trust
3015 16th Street SW, Suite 100
Minot, ND 58702-1988
Attn: Shareholder Relations
Telephone: (701) 837-4738
Facsimile: (701) 838-7785

You should rely only on the information provided or incorporated by reference in this prospectus supplement. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. You should not assume that the information in this prospectus supplement is accurate as of any date other than the date on the front cover of the document.

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About this Prospectus Supplement
And the Accompanying Prospectus

We are providing information to you about this offering of our common shares in two parts. The first part is this prospectus supplement, which provides the specific details regarding this offering and the terms of the common shares. The second part is the accompanying base prospectus, which provides general information. Generally, when we refer to this “prospectus,” we are referring to both documents combined. This prospectus supplement adds, updates and changes information contained in the accompanying prospectus and the information incorporated by reference. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control.

You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate as of any date other than the date on the front of the documents. Our business, financial condition, results of operations and prospects may have changed since then. Updated information may have been subsequently provided as explained under “Where You Can Find More Information” in this prospectus supplement and the accompanying prospectus.

It is important for you to read and consider all of the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in making your decision to invest in our common shares. You should also read and consider the information in the incorporated documents we have referred you to in “Where You Can Find More Information” in this prospectus supplement and the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

As used in this prospectus supplement and the accompanying prospectus, references to “we,” “our,” “us,” the “Company,” “IRET” and similar references are to Investors Real Estate Trust and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires. References to “shares” and to “common shares” or “Shares” are to our common shares of beneficial interest, no par value. References to “Series A preferred shares” are to our 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value. References to “shares of beneficial interest” are to all of our shares of beneficial interest including, without limitation, our common shares, our Series A preferred shares and any other shares of beneficial interest that we may issue in the future.

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Prospectus Supplement Summary

This section summarizes information contained elsewhere in this prospectus supplement and the accompanying prospectus and does not contain all the information you should consider before investing in our common shares. You should read this summary together with the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus, or incorporated by reference into this prospectus supplement and the accompanying prospectus, including the sections of this prospectus supplement and the accompanying prospectus entitled “Risk Factors,” before making a decision to invest in our common shares. Unless otherwise stated or the context otherwise requires, the information contained in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional Shares to cover over-allotments.

Our Company

We are a self-advised real estate investment trust, or REIT, that owns and operates commercial office, medical, industrial and retail properties and multi-family residential properties located primarily in the upper Midwest. The charts below show, as of July 31, 2009, the geographic distribution of our properties and their classification by type, in both cases measured on the basis of our investment in our properties (original investment plus improvements, if any) net of accumulated depreciation.

Geographic Distribution of Properties
Property Investments
(percentage by state, by investment amount, net of accumulated depreciation)

Classification of Properties by Type
Real Estate Portfolio Mix
(percentage by segment, by investment amount, net of accumulated depreciation)

As of July 31, 2009, our real estate portfolio consisted of:

- 77 multi-family residential properties, containing 9,645 apartment units and having a total real estate investment amount net of accumulated depreciation of approximately $424.5 million; and

- 167 commercial properties, containing approximately 11.7 million square feet of leasable space, as follows:

  - 67 office properties containing approximately 5.0 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of approximately $499.0 million;

  - 49 medical properties (including senior housing/assisted living facilities) containing approximately 2.3 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of approximately $344.4 million;

  - 18 industrial properties containing approximately 2.9 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of approximately $95.7 million; and

  - 33 retail properties containing approximately 1.5 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of approximately $99.4 million.

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Our commercial properties are typically leased to tenants under long-term lease arrangements, with no single tenant accounting for more than approximately 9.8% of our total annualized commercial rental revenues as of July 31, 2009. At July 31, 2009, the economic occupancy rates for our stabilized properties were as follows:

Property Type	Economic Occupancy	
Multi-family Residential	91.1	%
Commercial Office	88.5	%
Commercial Medical	94.1	%
Commercial Industrial	89.8	%
Commercial Retail	85.5	%

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 revenues.

Our principal executive office is located at 3015 16th Street SW, Suite 100, Minot, North Dakota, 58702-1988, and our telephone number is (701) 837-4738.

Investment Strategy

We seek to employ a disciplined investment strategy focused on growing assets in our target geographical markets, achieving diversification by property type, adhering to targeted returns in acquiring properties, and regularly increasing funds from operations. We believe this investment strategy has enabled us to achieve our goal of regularly increasing distributions on our common shares. We have increased our distributions per common share every year since our inception 39 years ago and every quarter since 1988.

We attempt to concentrate our multi-family residential properties in communities with populations of approximately 50,000 to 500,000, and we attempt to concentrate our commercial properties in metropolitan areas with populations of approximately 100,000 to 3.0 million. We focus most of our investment activity in markets in the upper Midwest, due to our greater familiarity with these markets, our existing market presence and our belief that these markets attract less competition from other leading REITs and institutional investors.

We continually receive, evaluate and identify opportunities for the acquisition and development of commercial and multi-family residential properties, particularly in the states in which we currently own properties. These investment and development opportunities are sourced through various channels, including real estate brokers, property owners, property management firms and our own business development efforts. In evaluating commercial properties for acquisition, we consider such factors as market size, economic and market rental conditions, property type, property quality, existing occupancy and lease rates, tenant makeup and quality, lease rollover risk and current and prospective cash flow levels. In evaluating multi-family residential properties for acquisition, we consider such factors as market size and growth characteristics, demographics, apartment rental conditions and trends, market rent and occupancy levels, property quality, operating expense and maintenance considerations, property occupancy rates and current and prospective cash flow levels. Upon identifying properties that meet our investment criteria, we conduct financial analyses, perform property inspections, identify lending sources and terms and submit or negotiate acquisition proposals on terms that we expect will allow us, under reasonable assumptions, to meet our targeted investment returns. In evaluating multi-family residential and commercial development opportunities, we consider factors that include property site location, access, soil conditions and other physical characteristics of the site, market size and growth characteristics, demographics, existing property development adjacent or near the site, prospective tenants and cash flow levels.

Typically, we seek to acquire well-maintained properties with strong tenant bases and lease or rental revenues and terms that immediately support our return on investment objectives. Due to varying market conditions over time, this investment focus can lead to a greater concentration of acquisition activity in certain property types during particular market cycles. For instance, during the 12 months ended August 31, 2009, approximately 70.3% of our property acquisitions, based on investment amount, were commercial industrial properties, due to the greater availability of these properties on terms that met our return on investment objectives. As market conditions evolve, however, this trend may be reversed and we may again purchase a greater percentage of multi-family residential properties, or other commercial properties. We typically seek to develop commercial properties when we have identified or secured an anchor tenant for the property. We typically seek to develop multi-family residential properties when we have identified a community with attractive economic and market rental conditions.

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We generally use available cash or short-term floating rate debt to acquire real estate. We then replace the cash or short-term floating rate debt with fixed-rate secured debt. We generally finance development projects with available cash or short-term floating rate debt and re-finance with fixed-rate secured debt. In appropriate circumstances, we also may acquire one or more properties in exchange for our common shares or for limited partnership units, or LP units, of our operating partnership, IRET Properties, which typically are redeemable for our common shares on a one-to-one basis or, at our option, cash, after the expiration of a minimum one-year holding period.

Operations

We conduct our operations from offices in Minot, North Dakota and Minneapolis, Minnesota. We also have property management offices in St. Louis, Missouri, Omaha, Nebraska and Kansas City, Kansas. In Minot, our 50-person staff is engaged in activities that include management and planning, financial analysis and accounting, marketing, property sourcing and evaluation, legal and compliance, information management and investor relations. In Minneapolis, our 19-person staff is primarily engaged in sourcing, evaluating and managing commercial properties in the Minneapolis/St. Paul metropolitan area.

The day-to-day management of our commercial properties is carried out by our own employees and by third-party property management companies. In markets where the amount of rentable square footage we own does not justify self-management, when properties acquired have effective pre-existing property management in place, or when for other reasons particular properties are in our judgment not attractive candidates for self-management, we may utilize third-party professional management companies for day-to-day management. As of July 31, 2009, we have under internal management 105 commercial properties. The remaining 62 properties are managed by third parties. The management and leasing of most of our multi-family residential properties is handled by locally-based, third-party management companies. We are currently working to transition to internal management approximately 3,726 apartment units now being managed for us by a third-party management company. We expect this transition to be completed within the current fiscal year.

We believe that our administrative, property management and corporate overhead expenses as a percentage of our revenues are among the lowest of all publicly-traded REITs. We believe that this serves the interests of the holders of our common shares by moderating the impact of cyclical downturns and enhancing funds available for distribution.

Properties

The tables set forth below present summary financial information regarding our commercial and multi-family residential properties.

Commercial and Multi-Family Residential Properties by State

The following table presents, as of July 31, 2009, an analysis by state of each of the five categories of properties owned by us — multi-family residential and commercial office, medical, industrial and retail:

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Total Real Estate by Investment Amount

	As of July 31, 2009 (in thousands)						
	Multi-Family Residential	Commercial Office	Commercial Medical	Commercial Industrial	Commercial Retail	Total	Total %
Minnesota	$147,028	$ 363,688	$ 296,021	$ 74,659	$ 73,895	$955,291	55.0 %
North Dakota	146,072	26,337	31,582	7,141	28,466	239,598	13.8 %
Nebraska	36,534	80,416	24,820	0	3,699	145,469	8.4 %
Colorado	43,617	22,545	0	0	0	66,162	3.8 %
Kansas	43,579	14,903	0	0	0	58,482	3.4 %
Montana	41,374	0	4,319	0	5,273	50,966	2.9 %
South Dakota	34,533	7,088	7,445	0	0	49,066	2.8 %
Texas	39,768	0	0	0	0	39,768	2.3 %
All Other States	11,491	60,798	25,266	27,349	7,760	132,664	7.6 %
Total	$543,996	$ 575,775	$ 389,453	$ 109,149	$ 119,093	$1,737,466	100.0 %

Comparison of Results from Commercial and Residential Properties

The following table presents an analysis of the relative investment in (corresponding to "Property owned" on the balance sheet, i.e., cost), and the financial contribution of (i.e., the net operating income produced by), our commercial and multi-family residential properties over the past three fiscal years.

	Fiscal Years Ended April 30 (in thousands)					
	2009	%	2008	%	2007	%
Real Estate Investments – (cost)						
Multi-Family Residential	$542,547	31.4 %	$510,697	31.0 %	$489,644	32.9 %
Commercial Office	571,565	33.0 %	556,712	33.8 %	536,431	36.0 %
Commercial Medical	388,219	22.4 %	359,986	21.8 %	274,779	18.4 %
Commercial Industrial	108,103	6.3 %	104,060	6.3 %	75,257	5.1 %
Commercial Retail	119,151	6.9 %	116,804	7.1 %	113,176	7.6 %
Total	$1,729,585	100.0 %	$1,648,259	100.0 %	$1,489,287	100.0 %
Net Operating Income(1)						
Multi-Family Residential	$40,554	28.6 %	$38,190	28.6 %	$35,518	29.4 %
Commercial Office	45,802	32.3 %	47,836	35.8 %	43,128	35.6 %
Commercial Medical	36,518	25.7 %	28,656	21.4 %	26,108	21.5 %
Commercial Industrial	9,489	6.7 %	9,162	6.8 %	6,838	5.6 %
Commercial Retail	9,491	6.7 %	9,921	7.4 %	9,614	7.9 %
Total	$141,854	100.0 %	$133,765	100.0 %	$121,206	100.0 %

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1) We define net operating income as total revenues less property operating expenses and real estate taxes. We believe that net operating income 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. Net operating income does not represent cash

generated by operating activities in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered as an alternative to net income, net income available to common shareholders or cash flow from operating activities as a measure of financial performance. A reconciliation of net operating income to income from continuing operations before sale of other investments is as follows:

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(in thousands)