

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**  
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### FILER

#### INVESTORS REAL ESTATE TRUST

CIK: **798359** | IRS No.: **450311232** | State of Incorpor.: **ND** | Fiscal Year End: **0430**  
Type: **10-Q** | Act: **34** | File No.: **000-14851** | Film No.: **99709121**  
SIC: **6798** Real estate investment trusts

Mailing Address  
12 S MAIN  
MINOT ND 58701

Business Address  
12 S MAIN  
MINOT ND 58701  
7018374738

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.  
20549

(Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For Quarter Ended July 31, 1999

Commission file number 0-14851

INVESTORS REAL ESTATE TRUST

(Exact name of registrant as specified in its charter)

North Dakota (State or other jurisdiction of incorporation or organization)	45-0311232 (I.R.S. Employer Identification No.)
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12 South Main, Minot, ND (Address of principal executive offices)	58701 (Zip code)
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Registrant's telephone number, including area code: (701) 852-1756  
(Former name, former address and former fiscal year, if  
changed since last report.) No change

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

Yes ( X )      No (   )

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock, as of the latest practicable date. Registrant is a  
North Dakota Real Estate Investment Trust. As of July 31, 1999, it had  
19,923,692 Shares of Beneficial Interest outstanding.

PART I

Item 1. Financial Statements.

The accompanying condensed consolidated financial statements have been prepared from the records of Investors Real Estate Trust and its subsidiaries (collectively, the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments necessary (of a normal recurring nature only) to present fairly the financial position of the Company as of July 31, 1999, and results of operations and cash flows for the stated periods have been included. The Condensed Consolidated Balance Sheet at April 30, 1999, contained herein, was derived from audited financial statements, but does not include all disclosures included in the 1999 Annual Report and applicable under generally accepted accounting principles. Certain information and footnote disclosures normally included in interim financial statements prepared in accordance with generally accepted accounting principles have been omitted. The results of operations for the three months ended July 31, 1999, are not necessarily indicative of operating results for the entire year.

BALANCE SHEETS  
(unaudited)

ASSETS:	07-31-99 -----	04-30-99 -----
Cash	\$ 5,071,067	\$ 3,713,053
Marketable Securities		
- GNMA's - held to maturity	2,908,156	2,964,434
- Other REIT's - available for sale	689,111	734,749
Accounts Receivable	248,443	77,438
Tax & Insurance Escrow	2,167,530	1,761,195
Deferred Charges	1,844,868	1,413,752
Prepaid Insurance	107,429	216,348
Real Estate Deposits	836,300	300,900
	-----	-----
	\$ 13,872,902	\$ 11,181,869
	=====	=====
Real Estate Investments		
Real Estate Owned	\$332,384,703	\$295,825,839
Less Accumulated Depreciation	(27,593,926)	(26,112,399)
	-----	-----
Net Real Estate Owned	304,790,777	269,713,440
	-----	-----
Real Estate Mortgages	1,535,783	10,721,214
Less Unearned Discounts & Allowances	(122,836)	(123,212)
	-----	-----
Net Mortgages & Contracts	1,412,947	10,598,002
	-----	-----
Total Real Estate Investments	\$306,203,725	\$280,311,442
	-----	-----
TOTAL ASSETS	\$320,076,627	\$291,493,311
	=====	=====

LIABILITIES:

Accounts Payable & Accrued Expenses	\$ 3,581,428	\$ 4,388,270
Due on Credit Line	0	0
Mortgages Payable	191,282,163	175,071,069
Investment Certificates Payable	12,530,595	11,770,136
	-----	-----
TOTAL LIABILITIES	\$207,394,186	\$191,229,475
	-----	-----
Minority Interest in Operating Ptnrshp	\$ 21,231,911	\$ 14,480,542
	-----	-----

SHAREHOLDERS' EQUITY

Shares of Beneficial Interest		
Outstanding Shares of	07-31-99	04-30-99
	-----	-----
19,923,692 on 07/31/99		
19,066,954 on 04/30/99	\$ 99,396,963	\$ 93,095,819
Accumulated Distributions		
in Excess of Net Income	(7,844,229)	(7,255,958)
Unrealized Gain REIT Stock	(102,205)	(56,567)
	-----	-----
Total Shareholders' Equity	\$ 91,450,530	\$ 85,783,294
	-----	-----
TOTAL LIABILITIES AND		
SHAREHOLDERS' EQUITY	\$320,076,627	\$291,493,311
	=====	=====

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STATEMENT OF OPERATIONS  
(unaudited)

3 Months Ended July 31

OPERATING INCOME:	1999	1998
	----	----
Real Estate Rentals	\$10,808,522	\$8,866,408
Interest Income	377,136	212,150
Mortgage Discount & Fees	16,255	23,720
	-----	-----
	\$11,201,913	\$ 9,102,278
	=====	=====
OPERATING EXPENSE:		
Interest	\$ 3,441,156	\$ 2,816,108
Utilities & Maintenance	1,736,997	1,505,146
Property Management	897,038	779,825
Taxes & Insurance	1,109,133	1,005,570

Advisory & Trustees Fees	254,442	195,178
Operating Expenses	177,141	63,358
	-----	-----
	\$ 7,615,907	\$ 6,365,186
	=====	=====
OPERATING INCOME:		
(before reserves)	\$ 3,586,006	\$ 2,737,092
	-----	-----
DEPRECIATION/AMORTIZATION	(1,784,684)	(1,409,241)
	-----	-----
OPERATING INCOME (after reserves)	1,801,322	\$ 1,327,851
GAIN ON SALE OF INVESTMENTS	257,895	366,017
MINORITY INTEREST PORTION OF		
OPERATING PARTNERSHIP NET INCOME	(235,935)	(133,863)
	-----	-----
NET TAXABLE INCOME	\$ 1,823,282	\$ 1,560,005
	-----	-----
FUNDS FROM OPERATIONS: *		
Operating Income	\$ 1,801,322	\$ 1,327,851
Plus Depreciation and Amortization	1,784,684	1,409,241
Minus Minority Interest Portion		
of Operating Partnership Net Income	(235,935)	(133,863)
	-----	-----
FUNDS FROM OPERATIONS	\$ 3,350,071	\$ 2,603,229
	-----	-----
PER SHARE:		
Operating Income		
(after reserves)	.09	.08
Gain on Sale of Investments	.01	.02
	-----	-----
Total Taxable Income/Share	.10	.10
	-----	-----
FUNDS FROM OPERATIONS *	.17	.16
	-----	-----
DIVIDENDS PAID PER SHARE	.12	.11
	-----	-----
Average Number of Shares		
Outstanding	19,495,323	16,579,390
	-----	-----

\* Funds from Operations is defined as income before gains (losses) on sales of investments, less minority interest of unitholders in operating partnership and extraordinary items, plus depreciation and amortization.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE-MONTH PERIODS ENDED JULY 31, 1999 AND 1998

(unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES	1999	1998
	----	----
Net Income	\$1,823,282	\$1,560,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,741,018	1,409,241
Minority interest portion of operating partnership income	235,935	133,863
Accretion of discount on contracts	(376)	(667)
Gain on Sale of Properties	(257,895)	(366,017)
Interest reinvested in investment certificates	114,313	97,029
Changes in other assets and liabilities:		
(Increase) decrease in real estate deposits	(535,400)	(71,250)
(Increase) decrease in other assets	(62,086)	122,428
(Increase) decrease in tax and insurance escrow	(406,335)	(443,690)
(Increase) decrease in deferred charges	(431,115)	(122,535)
Increase (decrease) in accounts payable and accrued expense	358,537	264,943
	-----	-----
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$2,579,879	\$2,583,351
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of marketable securities held to maturity	\$ 56,278	\$ 82,656
Principle payments on mortgage loans receivable	11,836	64,672
Proceeds from sale of property	0	892,349
Payments for acquisition and improvements of properties	(11,465,189)	(7,422,457)
Purchase of marketable securities available for sale	0	0
Investment in mortgage loans receivable	0	0
	-----	-----
NET CASH USED FOR INVESTING ACTIVITIES	\$ (11,397,075)	\$ (6,382,780)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of shares	\$6,070,134	\$2,721,085
Proceeds from investment certificates issued	874,236	979,085
Proceeds from mortgages payable	6,995,548	3,769,936

Proceeds from short-term lines of credit	5,800,000	3,000,000
Proceeds from sale of minority interest	1,000	1,848,249
Repurchase of shares/minority interest	(1,348,242)	(1,389,936)
Dividends/Distributions Paid	(1,177,749)	(761,784)
Redemption of investment certificates	(228,097)	(644,627)
Principal payments on mortgage loans	(1,011,620)	(767,828)
Payments on short-term lines of credit	(5,800,000)	(4,000,000)
	-----	-----
NET CASH PROVIDED FROM FINANCING ACTIVITIES	\$10,175,210	\$4,754,181
	-----	-----
NET INCREASE (DECREASE) IN CASH	\$ 1,358,013	\$ 954,752
CASH AT APRIL 30	\$ 3,713,053	\$2,132,220
	-----	-----
CASH AT JULY 31	\$ 5,071,067	\$3,086,972
	-----	-----
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
	1999	1998
	----	----
Dividends reinvested	\$1,535,640	\$1,205,517
Real estate investment and mortgage loans receivable acquired through assumption of mortgage loans payable and accrual of costs	2,122,200	0
Mortgage loan receivable transferred to property owned	0	1,701,308
Proceeds from sale of properties deposited directly with escrow agent	1,271,805	0
Properties acquired through the issuance of minority interest units in the operating partnership	4,400,000	480,525
Interest reinvested directly in investment certificates	114,313	97,029
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid on mortgages	\$3,196,773	\$2,511,296
Interest paid on margin account and other	45,097	15,486
Interest paid on investment certificates	77,863	86,742
	-----	-----
	\$3,319,733	\$2,613,524

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operation. IRET's First Quarter which ended on July 31, 1999, produced continued good results. Stable occupancy, rent increases, lower interest rates, and good performances by newly acquired properties contributed to satisfactory gains in revenues, operating income, and Funds from Operations.

-Funds From Operations. Funds from Operations for the first three months of Fiscal 2000 increased to \$3,350,071, from \$2,603,229 for the same period of the prior fiscal year, an increase of 29%. On a per share basis, Funds from Operations increased to 17.2 cents from 15.7 cents in the prior year, an increase of nearly 10%. Funds from Operations is the generally accepted measure of performance for Real Estate Investment Trusts.

-Operating Income. Operating income increased to \$1,801,322 for the First Quarter of Fiscal 2000, compared to \$1,327,851 earned in the same period of the prior fiscal year, an increase of 36%.

-Capital Gains. Income from the sale of investments declined to \$257,895 from the \$366,017 gain in the prior fiscal year. This year's gain resulted from the sale of four Superpumper convenience stores. We have entered into sales contracts on smaller apartment properties in Devils Lake and Mandan, ND, and a large commercial property in Sioux Falls, SD, which should close in the second quarter.

We are optimistic that the remainder of the current fiscal year will see a continuation of satisfactory operating results. Occupancy rates in our apartment communities continue to be stable. We anticipate good results from the new properties that we are adding to our portfolio.

Property Acquisitions. The following properties were acquired by IRET during the First Quarter and are producing income:

-78-unit Rimrock West Apartment complex Billings, MT	\$ 3,750,000
-3 12-unit Alzheimer Care facilities located in Belgrade, MT, Columbus Island, NE, and Grand Island, NE	1,400,000
-168-unit Valley Manor Apartment complex, Grand Forks, ND	4,430,767
-118,397 sq. ft. Maplewood Square retail center (Best Buy & Rainbow Foods as anchor tenants), Rochester, MN	11,800,000
	-----
	\$21,380,767
	=====

Pending Acquisitions. The following are under construction or under purchase contract:

-Great Plains Software office building, Fargo, ND	\$15,000,000
-67-unit apartment building - Cottonwood Lake III, Bismarck, ND	4,200,000
-67-unit apartment building w/underground parking (Legacy by IRET), Grand Forks, ND	4,600,000
-27-unit apartment building (The Meadows by IRET), Jamestown, ND	1,700,000
-67-unit apartment building (Country Meadows II), Billings, MT	4,200,000
-73-unit apartment building & community center (Trail Ridge on 41st by IRET), Rochester, MN	4,750,000
-Edgewood Vista Assisted Living Center, Duluth, MN	4,800,000
-East Grand Forks Convenience Store/Retail Rental East Grand Forks, MN	1,200,000
-520-unit Amlis apartment portfolio in Topeka, KS	26,250,000
-270-unit apartment complex (Thomasbrook Apartments), Lincoln, NE	9,500,000
-74,500 sq. ft. office building, Eden Prairie, MN	4,900,000
-1/2 interest in Med Park Strip Center, Grand Forks, ND	2,650,000
	-----
	\$83,750,000
	=====

Financial Condition. IRET's financial condition continues to be very strong. The July 31, 1999, balance sheet shows cash and marketable securities of \$8,668,334, compared to the \$7,412,236 on hand three months earlier. Total assets increased to \$320,076,627 from the April 30, 1999, total of \$291,493,311. Liabilities increased to \$207,394,186 versus the April 30, 1999, figure of \$191,229,475. Shareholder equity increased to \$91,450,530 from \$85,783,294 on April 30, 1999.

Dividends. IRET paid a regular dividend of 12.4 cents per share on July 1, 1999, to shareholders of record at the close of business on June 15, 1999. This was an increase from the 12.25 cents per share dividend paid on April 1, 1999, and was the 113th consecutive quarterly dividend paid by IRET.

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## PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

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

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

5/25/99            Sales Report for Best Efforts  
                    Offering Of Shares of Beneficial  
                    Interest

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.

Date: September 10, 1999

By \_\_\_\_\_  
Thomas A. Wentz, Sr., Vice-President

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