

INVESTORS REAL ESTATE TRUST
 Form 424B2
 December 07, 2001

Filed pursuant to Rule 424B(2)
 Registration No. 333-60228

Prospectus dated December 3, 2001

2,500,000 COMMON SHARES
INVESTORS REAL ESTATE TRUST (IRET)
Common Shares of Beneficial Interest
Minimum Purchase of 100 Shares

The Company is a self-advised real estate investment trust (REIT) that, through its operating partnership, IRET Properties, is engaged in acquiring, owning, and leasing multi-family and commercial real estate. IRET is listed on the Nasdaq Small Cap Market under the symbol "IRETS."

We intend to use the proceeds of this offering to construct two 73-unit apartment buildings in Rochester, Minnesota and two 67-unit apartment buildings in Bismarck, North Dakota.

The shares of beneficial interest being offered are the functional equivalent of common stock and hold the rights and preferences normally associated with common stock.

	<u>Per Share</u>	<u>Total if all shares sold</u>	<u>Percentage</u>
Public Offering Price	\$8.75	\$ 21,875,000	100%
Less Selling Commission	<u>\$.70</u>	<u>\$ 1,750,000</u>	<u>8%</u>
Proceeds to us before expenses	\$8.05	\$ 20,125,000	92%

After the payment of all fees and expenses associated with this offering and assuming all the shares are sold, IRET will receive approximately \$20,066,500 or 91.735% of the sale proceeds.

Investing involves certain risks. See page 4. Some, but not all of the risks to consider are:

The fixed \$8.75 price of shares under this offering may be priced higher than the current Nasdaq price. You may be paying more for your IRET shares than necessary.

This is a best efforts offering. Even if we do not sell enough shares to fund construction of the planned apartment complexes in Rochester, MN and Bismarck, ND, we will not return any portion of your

investment.

The book value of the shares available under this offering is substantially less than the purchase price of \$8.75 per share.

To preserve our status as a REIT, IRET may redeem its shares from any shareholder at anytime for the fair value of the shares at the time of redemption or IRET may refuse to transfer shares to any person.

The shares will be offered on a best efforts basis by broker/dealers who have signed a sales agreement and are registered with the National Association of Securities Dealers (NASD). The broker/dealers are not required to sell a specific number or dollar amount of shares. The broker/dealers will be paid an 8% commission on each share sold. Any money received from investors will go immediately to IRET and will not be placed in escrow or trust. This offering will end on the earlier of one year from the date of this prospectus or when all shares have been sold. Broker/dealers who have agreed to sell the shares are listed on page 20.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any State Securities Commission nor has the Commission or any State Securities Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Effective Date: December 3, 2001 Prospectus

Table of Contents

Prospectus Summary Index	Page
Prospectus Summary.....	S-1
IRET.....	S-1
Investment Risks.....	S-1
Business.....	S-2
IRET's Real Estate Portfolio.....	S-3
This Offering & Plan of Distribution.....	S-4
Use of Proceeds.....	S-5
Unaudited Quarterly Financial Data - Quarter Ending 07/31/2001.....	S-5
Summary Operating Data - First Quarter Fiscal 2002 - May 1, 2001 to July 31, 2001...	S-5
Statement of Operations for the Three-Month Period Ending July 31, 2001 and 2000.....	S-6
Selected Financial Data.....	S-6
Summary Operating Data Last Three Fiscal Years.....	S-7
Selected Financial Data for IRET for Three Years Ended April 30.....	S-7
Funds From Operations.....	S-7
Recent Developments.....	S-8
Revenues.....	S-8
Capital Gain Income.....	S-8
Acquisition of Interlachen Corporate Center - Edina, Minnesota.....	S-8
Acquisition of Retail Strip Center - Cottage Grove, Minnesota.....	S-9
Price Range of Common Shares and Distributions.....	S-9
Legal Matters.....	S-10
Experts	S-10
Available Information Concerning IRET.....	S-10
Securities and Exchange Commission.....	S-10
Reports to Security Holders.....	S-10
Additional Information.....	S-10
Prospectus	
The Company.....	1

Edgar Filing: INVESTORS REAL ESTATE TRUST - Form 424B2

Selected Financial Information for the Past Three Years.....	2
Real Estate Investment by State for the Last Three Years Ended April 30.....	2
Commercial Square Footage for the Last Three Years Ended April 30.....	3
Apartment Units Owned for the Last Three Years Ended April 30.....	3
Gross Revenue from Real Estate Activities for the Last Three Years Ended April 30.....	4
Net Income from Real Estate Activities for the Last Three Years Ended April 30.....	4
Risk Factors.....	4
Price of Shares May be Higher than Nasdaq Price.....	4
Price Exceeds Book Value.....	5
High Leverage on Individual Properties or the Overall Portfolio May Result in Losses.....	5
Inability to Sell all the Shares May Prevent Completion of Rochester or Bismarck Apartments.....	6
Delay or Increased Costs of the Apartments to be Built in Rochester or Bismarck Could Negatively Impact Earnings.....	6
Geographic Concentration in North Dakota and Minnesota May Result In Losses.....	7
Senior Securities will be Paid Before IRET Shares.....	8
Current and Future Commercial Vacancy May Negatively Impact Earnings.....	8
Mortgage Lending May Result in Losses.....	9

Prospectus	Page
Mortgage Loans Receivable.....	9
Lack of Employment Contracts May Prevent IRET from Retaining Qualified Management.....	10
Environmental Liability May Result in Significant Losses.....	10
Competition May Negatively Impact IRET's Earnings.....	10
Low Trading Volume of IRET on the Nasdaq will Prevent the Timely Resale of Shares.....	11
Ability of IRET's Board of Trustees to Change Policy Without Shareholder Approval.....	11
Certain Restrictions on Transfer of Shares May Result in Losses.....	11
IRET Does Not Carry Insurance Against All Possible Losses.....	12
Adverse Changes in Laws May Affect Our Potential Liability Relating to the Properties and Our Operations.....	12
Potential Effect on Costs and Investment Strategy from Compliance with Laws Benefiting Disabled Persons.....	13
Potential Inability to Renew, Repay or Refinance Our Debt Financing.....	13
Increase in Cost of Indebtedness Due to Rising Interest Rates.....	14
Potential Incurrence of Additional Debt and Related Debt Service.....	14
Potential Liability Under Environmental Laws.....	14
Provisions Which Could Limit a Change in Control or Deter a Takeover.....	15
Tax Liabilities as a Consequence of Failure to Qualify as a REIT.....	16
Conflicts of Interest May Negatively Impact the Financial Performance of IRET.....	16
Front-End Fees and Costs Associated With This Offering.....	18
Offering Compensation.....	18
Determination of Offering Price.....	19
Effective Date of Offering.....	19
Dilution.....	19
Plan of Distribution.....	20
Who May Invest.....	21
Use of Proceeds.....	21
Selected Financial Data for IRET for Five Years Ended April 30.....	24
Management's Discussion and Analysis of Financial Conditions and Results of Operations.....	25
General.....	25

Edgar Filing: INVESTORS REAL ESTATE TRUST - Form 424B2

Results from Operations - Three-Month Periods

Ended July 31, 2001, and 2000.....	26
Revenues.....	26
Capital Gain Income.....	26
Expenses and Net Income.....	26
Comparison of Commercial and Residential Properties.....	27
Net Real Estate Operating Income.....	27
Occupancy Rates.....	28
Property Acquisitions and Dispositions.....	28
Funds From Operations.....	28
Dividends.....	29
Liquidity and Capital Resources.....	30

Results from Operations for the Fiscal Years Ended

April 30, 2001, 2000 and 1999.....	31
Revenues.....	31
Capital Gain Income.....	31
Expenses and Net Income.....	32
Telephone Endorsement Fee.....	32
Comparison of Results from Commercial and Residential Properties.....	33
Charge for Impairment of Value Fiscal 2000.....	33
Commercial Properties - Analysis of Lease Expirations and Credit Exposure.....	33
Significant Properties.....	34
Significant Tenants of IRET.....	36
Current Economic Slowdown.....	36
Results from Stabilized Properties.....	36
Funds From Operations.....	37
Self-Advised Status.....	38
Property Acquisitions.....	39
Property Dispositions.....	41
Dividends.....	42

Prospectus	Page
Liquidity and Capital Resources.....	42
Impact of Inflation.....	44
General Information As To Investors Real Estate Trust.....	45
Organization of IRET.....	45
Governing Instruments of IRET.....	45
Independent Trustees.....	45
Non-Independent Trustees.....	45
Shareholder Meetings.....	45
Structure of IRET.....	46
Policy With Respect To Certain Activities.....	46
To Issue Senior Securities.....	46
Senior Securities Outstanding as of April 30.....	47
To Borrow Money.....	47
To Loan Money.....	48
Mortgage Loans Receivable.....	48
To Invest in the Securities of Other Companies for Purposes of Exercising Control.....	48
To Underwrite Securities of Other Issuers.....	49
To Engage in the Purchase and Sale or Turnover of Investments.....	49
To Offer Securities in Exchange for Property.....	49
To Purchase or Otherwise Re-Acquire Its Shares or Other Securities.....	49
To Make Annual and Other Reports Available to Shareholders.....	50
Investment Policies of IRET.....	50
Investments in Real Estate or Interests in Real Estate.....	50
Investments in Real Estate Mortgages.....	51

Edgar Filing: INVESTORS REAL ESTATE TRUST - Form 424B2

Investments in the Securities of or Interest in Persons Primarily Engaged in Real Estate Activities and Other Securities.....	52
Description of Real Estate.....	53
Commercial Real Estate.....	53
Residential Real Estate.....	59
Fiscal Year 2001 Property Sales & Acquisitions.....	66
Fiscal 2001 Property Acquisitions for Year Ended April 30, 2001.....	66
Title.....	67
Insurance.....	67
Planned Improvements.....	67
Occupancy	67
Material Lease Terms.....	67
Shares Available for Future Sale.....	68
Operating Partnership Agreement.....	70
IRET, Inc. is the Sole General Partner.....	70
Transferability of Limited Partnership and General Partnership Interests.....	70
Proceeds of this Offering will be Capital Contributions to IRET Properties.....	71
Exchange Rights of Limited Partners.....	72
Operation of IRET Properties and Payment of Expenses.....	73
Distributions and Liquidation.....	73
Allocations.....	73
Term.....	74
Fiduciary Duty.....	74
Tax Matters.....	74
Tax Treatment of IRET and Its Shareholders.....	75
Federal Income Tax.....	75
State and Local Income Taxation.....	76
Taxation of IRET's Shareholders.....	76

Prospectus	Page
Taxation of IRA's, 401K's, Pension Plans and Other Tax-exempted Shareholders.....	77
IRET Reporting to the IRS and Backup Withholding.....	77
Tax Treatment of IRET Properties and Its Limited Partners.....	78
Classification as a Partnership.....	78
Income Taxation of IRET Properties and Its Partners.....	79
Partners and not IRET Properties Subject to Tax.....	79
Partnership Allocation Income, Losses and Capital Gain.....	79
Tax Allocations with Respect to Contributed Property.....	79
Tax Basis in IRET Properties.....	80
Sale of Real Estate.....	80
ERISA and Prohibited Transaction Considerations.....	81
Status of IRET and IRET Properties under ERISA.....	81
Market Price of and Dividends on IRET's Shares of Beneficial Interest.....	83
Market for IRET Shares of Beneficial Interest.....	83
Prior Share Offering Price.....	84
Share Buyback Program.....	84
Shares Outstanding and Number of Shareholders.....	85
Distributions Payable Last Five Years.....	85
Dividend Reinvestment Plan.....	86
Description of IRET's Shares of Beneficial Interest.....	86
Ownership and Transfer Restrictions.....	87
Legal Proceeding.....	87
Management.....	88
Directors and Executive Officers.....	88
Executive Compensation.....	89
Trustee Compensation.....	91
Security Ownership of Management and Trustees.....	91
Certain Relationships and Related Transactions.....	93

Edgar Filing: INVESTORS REAL ESTATE TRUST - Form 424B2

Management Services.....	93
Acquisition of Odell-Wentz & Associates, L.L.C.....	93
Property Management Services.....	93
Security Sales Services.....	94
Legal Services.....	94
Selection, Management and Custody of IRET's Assets.....	94
Real Estate Management.....	94
Conflicts of Interest.....	96
Selling To or Buying Property From IRET.....	96
Sales Commissions or Finder Fees.....	96
Competition with IRET.....	97
Interests of Named Experts and Counsel.....	97
Limitations of Liability.....	97
Quantitative & Qualitative Disclosures About Market Risk.....	98
Legal Matters.....	99
Experts.....	99
Investors Real Estate Trust Unaudited Pro Forma Statement of Operations -	
First Quarter Acquisitions.....	100
Unaudited Pro Forma Consolidated Financial Statements - Fiscal 2001.....	101
Pro Forma Consolidated Balance Sheet as of April 30, 2001.....	101
Financial Information for Significant Acquisitions - Fiscal 2001.....	102
Olympic Village - Billings, Montana.....	102
Material Factors Considered by IRET at the Time of Acquisition.....	102
Independent Auditor's Report.....	104
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 1999.....	105
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 1999.....	106
Unaudited Interim Financial Statement - January 1, 2000 - August 30, 2000.....	107

Prospectus	Page
Unaudited Estimated Taxable Operating Results.....	107
Southdale Medical - Edina, Minnesota.....	108
Material Factors Considered by IRET at the Time of Acquisition.....	108
Independent Auditor's Report.....	110
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 2000.....	111
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 2000.....	112
Unaudited Estimated Taxable Operating Results.....	113
HealthEast I & II.....	114
Material Factors Considered by IRET at the Time of Acquisition.....	114
Independent Auditor's Report.....	115
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 1999.....	116
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 1999.....	117
Unaudited Interim Financial Statement - January 1, 2000 - April 30, 2000.....	118
Unaudited Estimated Taxable Operating Results.....	118
Plymouth Techcenter IV & V.....	119
Material Factors Considered by IRET at the Time of Acquisition.....	119
Independent Auditor's Report.....	121
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 2000.....	122
	123

Notes to Historical Summary of Gross Income and Direct Operating Expenses For the Year Ended December 31, 2000.....	
Unaudited Interim Financial Statement - January 1, 2001 - March 31, 2001.....	125
Unaudited Estimated Taxable Operating Results.....	125
Consolidated Financial Statements - Three-Month Periods Ended July 31, 2001, and 2000	F-1 to F-12
Consolidated Financial Statements - Fiscal Year Ended April 30, 2001, 2000, and 1999 and Independent Auditor' Report.....	F-13 to F-55

Prospectus Summary

This summary may not contain all of the information that may be important to you. You should read this prospectus summary and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference into the prospectus, including the financial data and the related notes, in their entirety before making an investment decision. When used in this prospectus supplement, the terms "we," "our," "us" and "IRET" refer to Investors Real Estate Trust.

IRET

Investors Real Estate Trust is a self-administered, self-managed equity real estate investment trust. Our business consists of the ownership and operation of income-producing real properties. We conduct our day-to-day business operations through our operating partnership IRET Properties, a North Dakota Limited Partnership. We have a fundamental strategy of focusing our real estate investments in the upper Midwest consisting primarily of the states of Minnesota, North Dakota, South Dakota, Montana, and Nebraska, of seeking diversification by property type. While we have historically focused most of our investments in the five states listed above, in order to maximize acquisition opportunities, we consider and undertake investments outside of our targeted region. We own a diversified portfolio consisting of 62 multi-family communities, and 61 total commercial properties.

We concentrate on increasing our income from operations per share and funds from operations per share to achieve our objective of paying increasing dividends to our shareholders. Our dividends have increased every year for 31 consecutive years

Our principal office is located at 12 South Main Street Suite 100 Minot, North Dakota 58701; our telephone number there is (701) 837-4738.

Investment Risks

If you purchase our shares offered pursuant to this offering you will be exposed to a number of risks that may result in a loss of all or a significant portion of your investment. For a complete discussion of the risks please see pages 4 through 16 of the full prospectus which follows this summary. A summary of the more significant risks that your investment with us may be exposed to are

- * The fixed \$8.75 price of shares under this offering may be priced higher than the current Nasdaq price, which may result in you paying more for your IRET shares than necessary.

- * Our current level of borrowing as of July 31, 2001 was 218% in relation to our net assets. We intend to borrow 70% of the cost of any real estate constructed or purchased which may result in us becoming too highly leveraged and losing the real estate through foreclosure..
- * This is a best efforts offering. Even if we do not sell enough shares to fund construction of the planned apartment complexes in Rochester, MN, and Bismarck, ND, we will not return any portion of your investment.