INVESTORS REAL ESTATE TRUST
Form 10-Q
September 09, 2008

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

Form 10-Q

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

For Quarter Ended July 31, 2008

Commission File Number 0-14851

INVESTORS REAL ESTATE TRUST
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| North Dakota | 45-0311232 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

Post Office Box 1988
12 Main Street South
Minot, ND 58702-1988
(Address of principal executive offices) (Zip code)

(701) 837-4738

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report.)

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 the filing requirements for at least the past 90 days.

Yes R No £

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

| | |
|---|---|
| Large accelerated filer £ | Accelerated filer R |
| Non-accelerated filer £ | Smaller Reporting Company £ |

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

Yes £ No R

Registrant is a North Dakota Real Estate Investment Trust. As of September 2, 2008, it had 58,262,755 common shares of beneficial interest outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS - FIRST QUARTER - FISCAL 2009

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

| | (in thousands) | |
|---|---|---|
| | July 31, 2008 | April 30, 2008 |
| ASSETS | | |
| Real estate investments | | |
| Property owned | $ 1,655,778 | $ 1,648,259 |
| Less accumulated depreciation | (229,691) | (219,379) |
| | 1,426,087 | 1,428,880 |
| Development in progress | 35,231 | 22,856 |
| Unimproved land | 4,567 | 3,901 |
| Mortgage loans receivable, net of allowance | 534 | 541 |
| Total real estate investments | 1,466,419 | 1,456,178 |
| Other assets | | |
| Cash and cash equivalents | 42,351 | 53,481 |
| Marketable securities – available-for-sale | 420 | 420 |
| Receivable arising from straight-lining of rents, net of allowance | 14,383 | 14,113 |
| Accounts receivable, net of allowance | 4,395 | 4,163 |
| Real estate deposits | 1,048 | 1,379 |
| Prepaid and other assets | 2,324 | 349 |
| Intangible assets, net of accumulated amortization | 58,936 | 61,649 |
| Tax, insurance, and other escrow | 7,888 | 8,642 |
| Property and equipment, net | 1,450 | 1,467 |
| Goodwill | 1,392 | 1,392 |
| Deferred charges and leasing costs, net | 15,155 | 14,793 |
| TOTAL ASSETS | $ 1,616,161 | $ 1,618,026 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | $ 32,917 | $ 33,757 |
| Mortgages payable | 1,068,267 | 1,063,858 |
| Other | 830 | 978 |
| TOTAL LIABILITIES | 1,102,014 | 1,098,593 |
| | | |
| COMMITMENTS AND CONTINGENCIES (NOTE 6) | | |
| MINORITY INTEREST IN PARTNERSHIPS | 13,186 | 12,609 |
| MINORITY INTEREST OF UNITHOLDERS IN OPERATING PARTNERSHIP | 159,984 | 161,818 |
| (21,292,531 units at July 31, 2008 and 21,238,342 units at April 30, 2008) | | |
| SHAREHOLDERS' EQUITY | | |
| Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, 1,150,000 shares issued and outstanding at July 31, 2008 and April 30, 2008, aggregate liquidation preference of $28,750,000) | 27,317 | 27,317 |
| | 444,134 | 440,187 |

| | | |
|---|---|---|
| Common Shares of Beneficial Interest (Unlimited authorization, no par value, 58,202,448 shares issued and outstanding at July 31, 2008, and 57,731,863 shares issued and outstanding at April 30, 2008) | | |
| Accumulated distributions in excess of net income | (130,474) | (122,498) |
| Total shareholders' equity | 340,977 | 345,006 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 1,616,161 | $ 1,618,026 |

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

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
for the three months ended July 31, 2008 and 2007

| | Three Months Ended July 31 (in thousands, except per share data) | |
|---|---|---|
| | 2008 | 2007 |
| REVENUE | | |
| Real estate rentals | $ 47,657 | $ 44,093 |
| Tenant reimbursement | 11,189 | 9,480 |
| TOTAL REVENUE | 58,846 | 53,573 |
| EXPENSES | | |
| Interest | 16,888 | 15,442 |
| Depreciation/amortization related to real estate investments | 13,318 | 12,189 |
| Utilities | 4,434 | 3,948 |
| Maintenance | 6,999 | 6,006 |
| Real estate taxes | 7,370 | 6,429 |
| Insurance | 750 | 650 |
| Property management expenses | 4,251 | 3,841 |
| Administrative expenses | 1,231 | 1,122 |
| Advisory and trustee services | 100 | 74 |
| Other expenses | 362 | 253 |
| Amortization related to non-real estate investments | 449 | 343 |
| TOTAL EXPENSES | 56,152 | 50,297 |
| Interest income | 223 | 354 |
| Other income | 25 | 281 |
| Income before minority interest and discontinued operations and loss on sale of other investments | 2,942 | 3,911 |
| Loss on sale of other investments | 0 | (1) |
| Minority interest portion of operating partnership income | (647) | (981) |
| Minority interest portion of other partnerships' loss | 63 | 36 |
| Income from continuing operations | 2,358 | 2,965 |
| Discontinued operations, net of minority interest | 0 | 16 |
| NET INCOME | 2,358 | 2,981 |
| Dividends to preferred shareholders | (593) | (593) |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | $ 1,765 | $ 2,388 |
| Earnings per common share from continuing operations | $ .03 | $ .05 |
| Earnings per common share from discontinued operations | .00 | .00 |
| NET INCOME PER COMMON SHARE – BASIC AND DILUTED | $ .03 | $ .05 |

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

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (unaudited)
for the three months ended July 31, 2008

(in thousands)

| | NUMBER OF PREFERRED SHARES | PREFERRED SHARES | NUMBER OF COMMON SHARES | COMMON SHARES | ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME | ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|
| Balance April 30, 2008 | 1,150 | $ 27,317 | 57,732 | $ 440,187 | $ (122,498) | $ 0 | $ 345,006 |
| Net income | | | | | 2,358 | | 2,358 |
| Distributions – common shares | | | | | (9,741) | | (9,741) |
| Distributions – preferred shares | | | | | (593) | | (593) |
| Distribution reinvestment plan | | | 312 | 2,915 | | | 2,915 |
| Sale of shares | | | 36 | 345 | | | 345 |
| Redemption of units for common shares | | | 122 | 687 | | | 687 |
| Balance July 31, 2008 | 1,150 | $ 27,317 | 58,202 | $ 444,134 | $ (130,474) | $ 0 | $ 340,977 |

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

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
for the three months ended July 31, 2008 and 2007

| | (in thousands) 2008 | 2007 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | $ 2,358 | $ 2,981 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,009 | 12,760 |
| Minority interest portion of income | 584 | 951 |
| Loss on sale of real estate, land and other investments | 0 | 1 |
| Bad debt expense | 528 | 320 |
| Changes in other assets and liabilities: | | |
| Increase in receivable arising from straight-lining of rents | (624) | (573) |
| Increase in accounts receivable | (127) | (100) |
| Increase in prepaid and other assets | (1,975) | (1,349) |
| Decrease (increase) in tax, insurance and other escrow | 754 | (307) |
| Increase in deferred charges and leasing costs | (1,112) | (1,100) |
| Decrease in accounts payable, accrued expenses, and other liabilities | (2,466) | (3,768) |
| Net cash provided by operating activities | 11,929 | 9,816 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of marketable securities – available-for-sale | 0 | 6 |
| Net proceeds from real estate deposits | 331 | 463 |
| Principal proceeds on mortgage loans receivable | 6 | 6 |
| Purchase of marketable securities – available-for-sale | 0 | (16) |
| Insurance proceeds received | 902 | 83 |
| Payments for acquisitions and improvements of real estate investments | (18,508) | (19,094) |
| Net cash used by investing activities | (17,269) | (18,552) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from sale of common shares, net of issue costs | 345 | 20 |
| Proceeds from mortgages payable | 11,428 | 4,000 |
| Proceeds from minority partner | 717 | 0 |
| Repurchase of fractional shares and minority interest units | (1) | (4) |
| Distributions paid to common shareholders, net of reinvestment | (7,024) | (5,498) |
| Distributions paid to preferred shareholders | (593) | (593) |
| Distributions paid to unitholders of operating partnership | (3,392) | (3,110) |
| Distributions paid to other minority partners | (77) | (71) |
| Redemption of partnership units | (158) | 0 |
| Principal payments on mortgages payable | (7,019) | (5,854) |
| Principal payments on revolving lines of credit and other debt | (16) | (23) |
| Net cash used by financing activities | (5,790) | (11,133) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (11,130) | (19,869) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 53,481 | 44,516 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 42,351 | $ 24,647 |

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited, continued)
for the three months ended July 31, 2008 and 2007

| | (in thousands) 2008 | 2007 |
|---|---|---|
| SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES FOR THE PERIOD | | |
| Distribution reinvestment plan | $ 2,718 | $ 2,589 |
| Operating partnership distribution reinvestment plan | 198 | 211 |
| Real estate investment acquired through assumption of indebtedness and accrued costs | 0 | 10,800 |
| Assets acquired through the issuance of minority interest units in the operating partnership | 1,954 | 5,650 |
| Operating partnership units converted to shares | 687 | 303 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for: | | |
| Interest on mortgages | 16,946 | 15,199 |
| Interest other | 7 | 9 |
| | $ 16,953 | $ 15,208 |

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

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
for the three months ended July 31, 2008 and 2007

## 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 July 31, 2008, IRET owned 76 multi-family residential properties with 9,528 apartment units and 163 commercial properties, consisting of office, medical, industrial and retail properties, totaling 11.5 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 73.2% and 73.1%, respectively, as of July 31, 2008 and April 30, 2008. 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, 2008, filed with the SEC.

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 December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 ("SFAS 160"). SFAS 160 changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently evaluating the impact of adopting SFAS 160 on our consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations ("SFAS 141(R)"). This new standard will significantly change the accounting for and reporting of business combination transactions in consolidated financial statements. SFAS 141(R) requires an acquiring entity to recognize acquired assets and liabilities assumed in a transaction at fair value as of the acquisition date, changes the disclosure requirements for business combination transactions and changes the accounting treatment for certain items, including contingent consideration agreements which will be required to be recorded at acquisition date fair value and acquisition costs which will be required to be expensed as incurred. SFAS 141(R) is to be applied prospectively for the first annual reporting period beginning on or after December 15, 2008. Early adoption of the standard is prohibited. The Company is currently evaluating the impact of this statement on the Company's consolidated financial statements.

In February 2007, the FASB issued 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 was effective for the Company on May 1, 2008. The adoption of SFAS No. 159 did not have any impact on the Company's financial statements because the Company did not elect to measure any financial assets or liabilities at fair value.

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 was effective for the Company on May 1, 2008; however, FASB Staff Position No. 157-2 defers the effective date for certain non-financial assets and liabilities not re-measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008, or our first quarter of fiscal year 2010.

SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

At July 31, 2008, our marketable securities are carried at fair value measured on a recurring basis. Fair values are determined through the use of unadjusted quoted prices in active markets, which are inputs that are classified as Level 1 in the valuation hierarchy.

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 ended July 31, 2008 and 2007:

| | Three Months Ended July 31 (in thousands, except per share data) | |
|---|---|---|
| | 2008 | 2007 |
| NUMERATOR | | |
| Income from continuing operations | $ 2,358 | $ 2,965 |
| Discontinued operations, net | 0 | 16 |
| Net income | 2,358 | 2,981 |
| Dividends to preferred shareholders | (593) | (593) |
| Numerator for basic earnings per share – net income available to common shareholders | 1,765 | 2,388 |
| Minority interest portion of operating partnership income | 647 | 987 |
| Numerator for diluted earnings per share | $ 2,412 | $ 3,375 |
| DENOMINATOR | | |
| Denominator for basic earnings per share - weighted average shares | 57,916 | 48,663 |
| Effect of convertible operating partnership units | 21,298 | 20,284 |
| Denominator for diluted earnings per share | 79,214 | 68,947 |
| | | |
| Earnings per common share from continuing operations – basic and diluted | $ .03 | $ .05 |
| Earnings per common share from discontinued operations – basic and diluted | .00 | .00 |
| NET INCOME PER COMMON SHARE – BASIC AND DILUTED | $ .03 | $ .05 |

NOTE 4 • SHAREHOLDERS' EQUITY

As of July 31, 2008, 121,649 Units have been converted to common shares during fiscal year 2009, with a total value of approximately $687,000 included in shareholders' equity, and 2,702 common shares have been issued under the Company's 401(k) plan, with a total value of approximately $25,000 included in shareholders' equity. An additional 346,306 common shares have been issued under the Company's Distribution Reinvestment and Share Purchase Plan during the three months ended July 31, 2008 with a total value of $3.2 million 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.  The Company's reportable segments are aggregations of similar properties.  The accounting policies of each of these segments are the same as those described in Note 2. The Company discloses 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 periods ended July 31, 2008 and 2007, 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 July 31, 2008 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
| Real estate revenue | $ 18,601 | $ 20,806 | $ 12,866 | $ 3,096 | $ 3,477 | $ 58,846 |
| Real estate expenses | 8,724 | 9,444 | 3,762 | 734 | 1,140 | 23,804 |
| Net operating income | $ 9,877 | $ 11,362 | $ 9,104 | $ 2,362 | $ 2,337 | 35,042 |
| Interest | | | | | | (16,888) |
| Depreciation/amortization | | | | | | (13,767) |
| Administrative, advisory and trustee fees | | | | | | (1,331) |
| Other expenses | | | | | | (362) |
| Other income | | | | | | 248 |
| Income before minority interest and discontinued operations and (loss) gain on sale of other investments | | | | | | $ 2,942 |

| | (in thousands) | | | | | |
|---|---|---|---|---|---|---|
| Three Months Ended July 31, 2007 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
| Real estate revenue | $ 17,719 | $ 20,594 | $ 8,966 | $ 2,662 | $ 3,632 | $ 53,573 |
| Real estate expenses | 8,284 | 8,716 | 2,273 | 499 | 1,102 | 20,874 |
| Net operating income | $ 9,435 | $ 11,878 | $ 6,693 | $ 2,163 | $ 2,530 | 32,699 |
| Interest | | | | | | (15,442) |
| Depreciation/amortization | | | | | | (12,532) |
| Administrative, advisory and trustee fees | | | | | | (1,196) |
| Other expenses | | | | | | (253) |
| Other income | | | | | | 635 |
| Income before minority interest and discontinued operations and (loss) gain on sale of other investments | | | | | | $ 3,911 |

Segment Assets and Accumulated Depreciation

Segment assets are summarized as follows as of July 31, 2008, and April 30, 2008, along with reconciliations to the condensed consolidated financial statements:

| | (in thousands) | | | | | |
|---|---|---|---|---|---|---|
| As of July 31, 2008 | Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial-Retail | Total |
| Segment Assets | | | | | | |
| Property owned | $ 514,753 | $ 559,096 | $ 360,191 | $ 104,106 | $ 117,632 | $ 1,655,778 |
| Less accumulated depreciation/amortization | (105,182) | (61,745) | (34,737) | (11,049) | (16,978) | (229,691) |
| Total property owned | $ 409,571 | $ 497,351 | $ 325,454 | $ 93,057 | $ 100,654 | 1,426,087 |
| Cash and cash equivalents | | | | | | 42,351 |
| Marketable securities | | | | | | 420 |

| | |
|---|---|
| Receivables and other assets | 106,971 |
| Development in progress | 35,231 |
| Unimproved land | 4,567 |
| Mortgage loans receivable, net of allowance | 534 |
| Total Assets | |