

INVESTORS REAL ESTATE TRUST

Form S-3

September 29, 2008

As filed with the Securities and Exchange Commission on September 29, 2008

Registration No. ____ - ____

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

Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Investors Real Estate Trust

(Exact name of issuer as specified in its charter)

North Dakota
(State or other jurisdiction of
incorporation or organization)

45-0311232
(I.R.S. Employer
Identification No.)

12 South Main Street
Minot, ND 58701
(701) 837-4738
(Address, Including Zip Code, and Telephone Number, Including Area Code,
of Registrant's Principal Executive Offices)

Timothy Mihalick
Senior Vice President and Chief Operating Officer
Investors Real Estate Trust
12 Main Street South, P.O. Box 1988
Minot, ND 58701
(701) 837-4738

(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)

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Copies to:

Karin Wentz, Esq.
Associate General Counsel
10050 Crosstown Circle, Suite 105
Eden Prairie, MN 55344
(952) 401-4802

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ☐

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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. (Check one):

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

| Title of securities to be Registered(1) | Amount to be Registered (2) | Proposed Maximum Offering Price Per Unit | Proposed Maximum Aggregate Offering Price(2) (3) (4) | Amount of registration fee(2) |
|--|-----------------------------------|--|---|-------------------------------------|
|--|-----------------------------------|--|---|-------------------------------------|

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Common Shares of Beneficial Interest, no par value

(5)

Preferred Shares of Beneficial Interest, no par value

(6)

| | | | | |
|-------|----------------|------|----------------|----------------|
| Total | \$ 150,000,000 | 100% | \$ 150,000,000 | \$ 1,994.89(4) |
|-------|----------------|------|----------------|----------------|

- (1) Pursuant to General Instruction II.D of Form S-3 under the Securities Act, the fee table does not specify by each class of securities to be registered information as to the amount to be registered, proposed maximum offering price per unit, and proposed maximum aggregate offering price.

- (2) The amount to be registered consists of up to \$150,000,000 of an indeterminate number of common shares of beneficial interest and an indeterminate number of preferred shares of beneficial interest as may be sold, from time to time, by the Registrant. There are also being registered hereunder an indeterminate principal amount of each class of securities registered here under (the “underlying securities”) as may be issuable, with or without separate consideration, (i) upon conversion, exercise or exchange of any other class of securities registered hereunder, to the extent such securities are by their terms convertible into or exercisable or exchangeable for the underlying securities, or (ii) pursuant to antidilution provisions of any other class of securities registered hereunder.
- (3) Estimated solely for purposes of calculating the registration fee. Separate consideration may or may not be received for common shares of beneficial interest that are issued upon conversion of preferred shares of beneficial interest registered hereunder. The proposed maximum offering price per security will be determined from time to time by the Registrant in connection with the issuance by the Registrant of the securities registered hereunder. The aggregate maximum public offering price of all securities issued pursuant to this Registration Statement will not exceed \$150,000,000.
- (4) Calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933, as amended. Pursuant to Rule 457(p) under the Securities Act, the Registrant hereby offsets the total Registration Fee of \$5,895.00 due under this Registration Statement by the amount of the filing fee associated with the unsold securities from the Registrant’s Registration Statement on Form S-3, filed with the Commission on February 3, 2004 (File No. 333-112465). The Registrant had registered securities for a maximum aggregate offering price of \$150,000,000 on Form S-3 as filed with the Commission on February 3, 2004. Of that amount, the Registrant sold securities for an aggregate offering price to the public of \$119,217,772, leaving a balance of unsold securities with an aggregate offering price of \$30,782,228; the associated filing fee of \$3,900.11 for such unsold securities is hereby used to offset the current \$5,895.00 Registration Fee due.
- (5) Includes such indeterminate number of common shares of beneficial interest as may from time to time be issued at indeterminate prices or issuable upon conversion of preferred shares of beneficial interest registered hereunder.
- (6) Includes such indeterminate number of preferred shares of beneficial interest as may from time to time be issued at indeterminate prices.

Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included herein is a combined prospectus that relates to the Registration Statement on Form S-3 (File No. 333-112465) previously filed by the Registrant on February 3, 2004, under which \$30,782,228 principal amount of common and preferred shares of beneficial interest remains unsold and is being carried forward. In the event any such previously registered common and preferred shares of beneficial interest are offered prior to the effective date of this Registration Statement, they will not be included in any prospectus hereunder. The amount of common and preferred shares of beneficial interest registered hereunder represents the maximum amount of common and preferred shares of beneficial interest that are expected to be offered for sale.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Subject to Completion, Dated September __, 2008

Prospectus

\$150,000,000
Common Shares of Beneficial Interest
Preferred Shares of Beneficial Interest

Investors Real Estate Trust may from time to time offer to sell: (i) our common shares of beneficial interest, no par value, and (ii) in one or more classes or series, our preferred shares of beneficial interest, no par value, all with an aggregate public offering price of up to \$150,000,000, on terms to be determined at the time of the offering. In this prospectus, we refer to our common shares of beneficial interest as our common shares, our preferred shares of beneficial interest as our preferred shares, and we refer to our common shares and our preferred shares collectively as our securities. Our securities may be offered, separately or together, in amounts, at prices and on terms to be set forth in one or more supplements to this prospectus (each, a prospectus supplement). The aggregate public offering price and terms of the securities will be determined by market conditions at the time the securities are offered.

The specific terms of any securities we sell and the terms on which we are offering such securities will be set forth in a prospectus supplement. The specific terms may include limitations on direct or beneficial ownership and restrictions on transfer of the securities, in each case as may be appropriate to preserve our status as a real estate investment trust for federal income tax purposes. The applicable prospectus supplement will also contain information, where applicable, about material federal income tax considerations relating to, and any listing on a securities exchange of, the securities offered by the prospectus supplement. The applicable prospectus supplement may also add to, update or change information contained in this prospectus. You should carefully read this prospectus and any applicable prospectus supplement, together with the additional information described under the heading "Where You Can Find More Information," before you invest in any of our securities.

Our common and preferred shares are traded on the NASDAQ Global Select Market under the symbols "IRET" and "IRETP", respectively. Our executive offices are located at 12 Main Street South, Minot, North Dakota 58701, telephone number: 701-837-4738. Our website address is www.iret.com. The information set forth on, or otherwise accessible through, our web site is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission (SEC).

We may sell the securities offered by this prospectus directly, through agents designated by us from time to time or to or through underwriters or dealers. If any agents, underwriters or dealers are involved in the sale of any of our securities, their names, and any applicable purchase price, fee, commission or discount arrangements between or among them, will be set forth, or will be calculable from the information set forth, in the applicable prospectus supplement. None of our securities may be sold without delivery of a prospectus supplement.

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Investing in our securities involves certain risks. See “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended April 30, 2008 and “Risk Factors” beginning on page 8 of this prospectus.

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

The date of this prospectus is September __, 2008.

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus or incorporated by reference into this prospectus or an applicable prospectus supplement and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or any underwriter, dealer or agent. This prospectus and any prospectus supplement do not constitute an offer to sell, or the solicitation of any offer to buy, any securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this prospectus or any prospectus supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or thereof.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC utilizing a “shelf” registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$150,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information.”

You should rely only on the information contained and incorporated by reference in this prospectus. We have not authorized any other person to provide you with different or inconsistent information from that contained in this prospectus and the applicable prospectus supplement. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus and the applicable prospectus supplement, as well as the information we previously filed with the SEC and incorporated by reference, is accurate only as of the date on the front cover of this prospectus and the applicable prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since those dates.

FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). You can identify some of the forward-looking statements by their use of forward-looking words, such as “believes,” “expects,” “may,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates,” or the negative of those words or similar words. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by such forward-looking statements, including, but not limited to, the status of the economy, the status of capital markets including prevailing interest rates, compliance with and changes to regulations within environmental protection regimes, changes in financing terms, competition within the commercial office, medical (including senior housing), industrial, retail and multi-family housing industries, and changes in federal, state and local legislation. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements in this prospectus and in documents incorporated by reference in this prospectus, see the discussion under “Risk Factors” contained in this prospectus and in other information contained in our publicly available filings with the SEC, including our annual report on Form 10-K for the year ended April 30, 2008. We do not undertake any responsibility to update any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

INVESTORS REAL ESTATE TRUST

Our Company

We are a self-advised 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. The charts below show, as of July 31, 2008, 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).

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Geographic Distribution of Properties

Classification of Properties by Type

As of July 31, 2008, our real estate portfolio consisted of:

- 76 multi-family residential properties, containing 9,528 apartment units and having a total real estate investment amount net of accumulated depreciation of \$409.6 million; and
- 163 commercial properties, containing approximately 11.5 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of \$1.0 billion, as follows:
 - o 65 office properties containing approximately 4.9 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of \$497.3 million;
 - o 48 medical properties (including senior housing) containing approximately 2.3 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of \$325.5 million;
 - o 17 industrial properties containing approximately 2.8 million square feet of leasable space and having a total real estate investment amount net of accumulated depreciation of \$93.1 million; and
 - o 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 \$100.6 million.

Our commercial properties are typically leased to tenants under long term lease arrangements, with no single tenant accounting for more than approximately 10.8% of our total annualized commercial rental revenues as of July 31, 2008. At July 31, 2008, the economic occupancy rates for our stabilized properties were as follows:

| | |
|--------------------------|-------|
| Multi-family Residential | 92.8% |
| Commercial Office | 88.9% |
| Commercial Medical | 95.7% |
| Commercial Industrial | 95.9% |
| Commercial Retail | 86.6% |

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 12 Main Street South, Minot, North Dakota, 58701, and our telephone number is (701) 837-4738.

Investment Strategy

We 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

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regularly increasing distributions on our securities. We have increased our distributions per common share every year since our inception 37 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. As of July 31, 2008, approximately 67.7% of our properties, measured by investment amount, net of accumulated depreciation, are located in the greater Minneapolis/St. Paul metropolitan area.

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 factors that include 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 factors that include market size and growth characteristics, demographic considerations, 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 borrowing sources and terms and submit or negotiate acquisition proposals on terms that 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, demographic considerations, existing property development adjacent or near the site, prospective tenants and cash flow levels.

Typically, we seek to acquire existing, well-maintained properties that have a strong tenant base and lease or rental revenues and terms that immediately support our return on investment objectives. Due to varying market conditions over time, this can lead to a greater concentration of investment activity in certain property types during particular market cycles. For instance, during the 12 months ended July 31, 2008, approximately 74.1% of our property acquisitions, based on investment amount, have been medical office and senior housing properties, due to the greater availability of these properties on terms that meet 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 commercial, retail and industrial properties. We typically seek to develop commercial projects when we have identified or secured a tenant for the project. We typically seek to develop multi-family residential projects when we have identified a community with attractive economic and market rental conditions.

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, typically in an amount equal to 65% to 75% of the acquisition cost. In appropriate circumstances, we also may acquire one or more properties in exchange for our shares of beneficial interest or LP units of IRET Properties, which typically are convertible into our common shares on a one-to-one basis or, at our option, cash, after the expiration of a minimum one-year holding period. Subject to our continued ability to raise equity capital and issue LP units of IRET Properties, we anticipate acquiring \$100 million to \$200 million of real estate assets on an annual basis. We generally finance development projects with available cash or short-term floating rate debt, and then replace the cash or short-term floating rate debt with fixed-rate secured debt, typically in an amount equal to 65% to 75% of the property's appraised value.

Operations

We conduct our operations from offices in Minot, North Dakota; Minneapolis, Minnesota and Omaha, Nebraska. We also have property management offices in St. Louis, Missouri and Kansas City, Kansas. In Minot, our 43-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 15-person staff is primarily engaged in sourcing, evaluating and managing commercial

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properties in the Minneapolis/St. Paul metropolitan area. In Omaha, Nebraska, our 7-person staff is engaged in sourcing, evaluating and managing commercial properties in the Omaha metropolitan area, and in managing our capital markets activities.

The day-to-day management of our commercial properties is carried out by a combination of our own employees and third-party property management companies. In locations 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, 2008, we have under internal management 93 commercial properties. The management and leasing of our multi-family residential properties is currently handled by locally-based, third-party management companies, which we believe allows us to benefit from local knowledge of the applicable real estate markets.

We believe that our administrative, property management and corporate overhead expenses as a percentage of our revenues are among the lowest of all public REITs. We believe that this serves the interests of the holders of our shares of beneficial interest 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, 2008, 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:

Total Real Estate by Investment Amount

As of July 31, 2008
(in thousands)

| | | | | |
|-----------------------------|-------------------|--------------------|-----------------------|-------------|
| Multi-Family Residential | Commercial-Office | Commercial-Medical | Commercial-Industrial | Commercial- |
|-----------------------------|-------------------|--------------------|-----------------------|-------------|