



# IRET

INVESTOR PRESENTATION

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NOVEMBER 2016

# IRET, A COMPANY IN TRANSITION: RECENT HIGHLIGHTS

*Our team is in the process of transforming our company and portfolio to deliver higher quality earnings in strong and growing Midwest markets*

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## ➤ Transforming Portfolio

- Added 807 high-quality multifamily units in 2016
- Sold over 5.4mm sq. ft. of non-core commercial real estate since 2015
  - Eliminated \$194.1mm of mortgage debt from 1/31/2015 to 7/31/2016
- Announced pending sale of all senior housing properties for \$280mm in August 2016
  - First portion of transaction closed in November, netting \$31mm in cash; balance to close in 2017

## ➤ Strengthening Balance Sheet

- Redeeming high cost Series A preferred shares in December 2016
- Working on more flexible line of credit

## ➤ Improving Operations

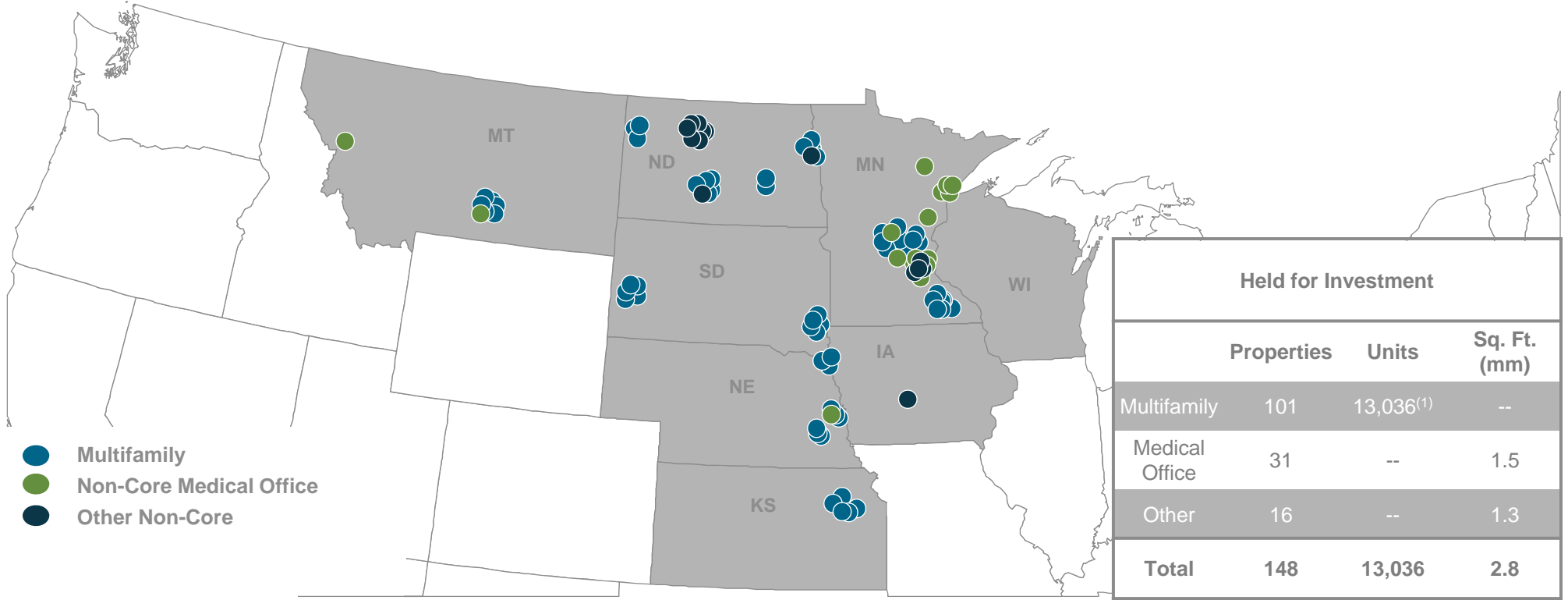
- Full implementation of LRO lease management software
- Launched e-payment solutions for residents
- Ongoing implementation of utility billing system

## ➤ Enhancing Board of Trustees and Leading Corporate Governance

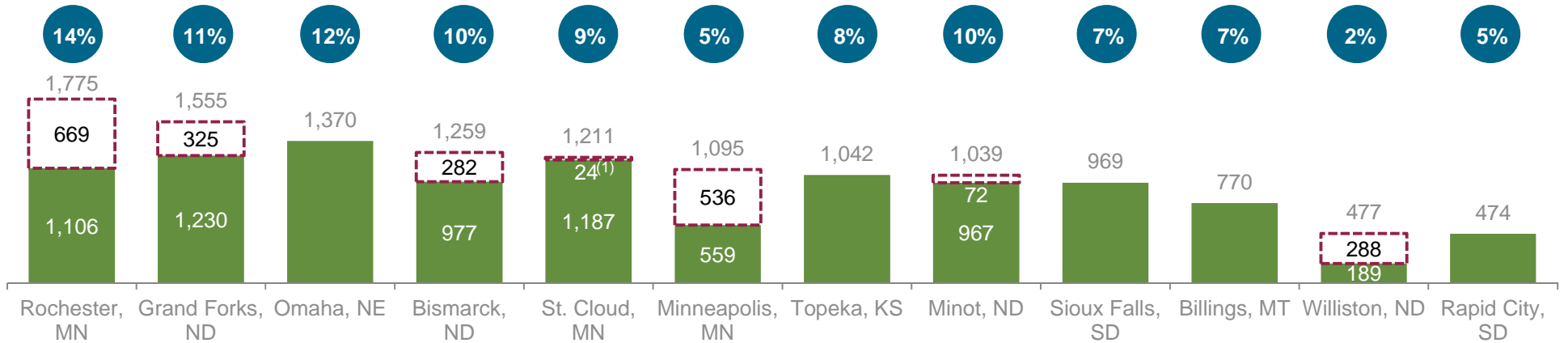
- We continue to enhance leadership and alignment
  - Since 2011, we've replaced six Board members, adding public company, capital markets, and REIT expertise
  - Most recently in April, Michael Dance and John Schissel joined the Board
    - ◆ Dance brings 22+ years of experience as Essex Property Trust's former CFO
    - ◆ Schissel brings 26+ years of experience, currently as President & CFO of Carr Properties, a private REIT, and previously as CFO of Invitation Homes, BRE Properties, and Columbia Properties
- New President & CIO, Mark Decker, Jr., brings strategic and capital markets expertise
- Q2 management investment of \$853,000 in common shares further aligns team and demonstrates commitment and confidence
- Currently rated ISS's highest score of 1, indicating highest quality governance practices and lowest governance risk

# WHO WE ARE TODAY

Our goal is to become a premier multifamily company delivering exposure to strong Midwest markets



■ Same-Store Units (as of 7/31/2016)  
  Non Same-Store Units (as of 7/31/2016)  
● % of Same-Store Multifamily NOI



1. Includes one property (Pinecone Villas) consisting of 24 non same-store units classified as held for sale.

# INVESTMENT HIGHLIGHTS

1

## IRET offers distinctive value today with improving asset and earnings quality

- Portfolio NOI enhanced by development and value-add repositioning which provide strong market rents
- Operational enhancements increase top line rents while optimizing margins

2

## Only public multifamily company focused on Midwest

- Lowest unemployment of any region in the U.S.
- Multifamily supply and demand fundamentals are generally in balance in our markets
- Multiple demand drivers in the Midwest and new core multifamily markets with healthy microeconomies

3

## IRET: Building a Competitive Advantage

- IRET is well positioned to build operating advantages as we add depth and scale in our markets
- Over time, we believe we can build capital and information arbitrages and compete effectively with local owner-operators and private equity

4

## Repositioning is driving more desirable earnings

- Non-core, non-multifamily asset sales provide internally-generated capital to grow
- Substantial value-add initiatives capture opportunities embedded in existing portfolio
- Focused on fortified balance sheet and improving liquidity



Arcata  
Golden Valley, MN



Monticello Crossings  
Monticello, MN

# IMPROVING ASSET QUALITY

*IRET is focused on improving our earnings quality and power by investing in scaled, efficient assets in deeper markets that we believe will provide growing rents and maintain higher margins*

## Market-Leading Product



**71 France**  
Minneapolis, MN



**Red 20**  
Minneapolis, MN

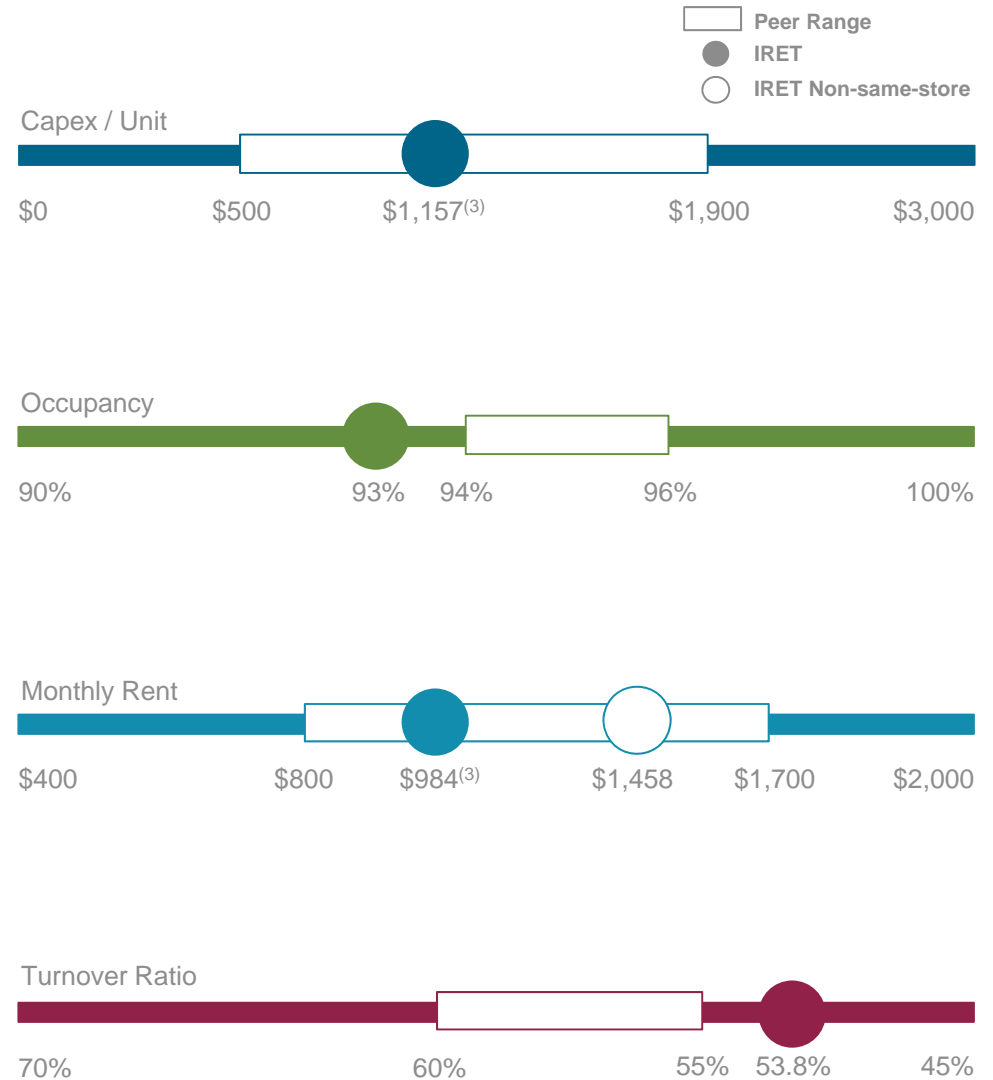


**Avalon Cove Townhomes**  
Rochester, MN



**Arcata**  
Golden Valley, MN

## Same-Store Multifamily Benchmarking<sup>(1)(2)</sup>



1. Peers include AIV, APTS, BRG, IRT, MAA, MST, and NXRT.  
 2. LTM figure as of 7/31/2016, which includes recurring and non-recurring capital expenditures.  
 3. Represents average of total multifamily portfolio.

## MIDWEST MULTIFAMILY FOCUS

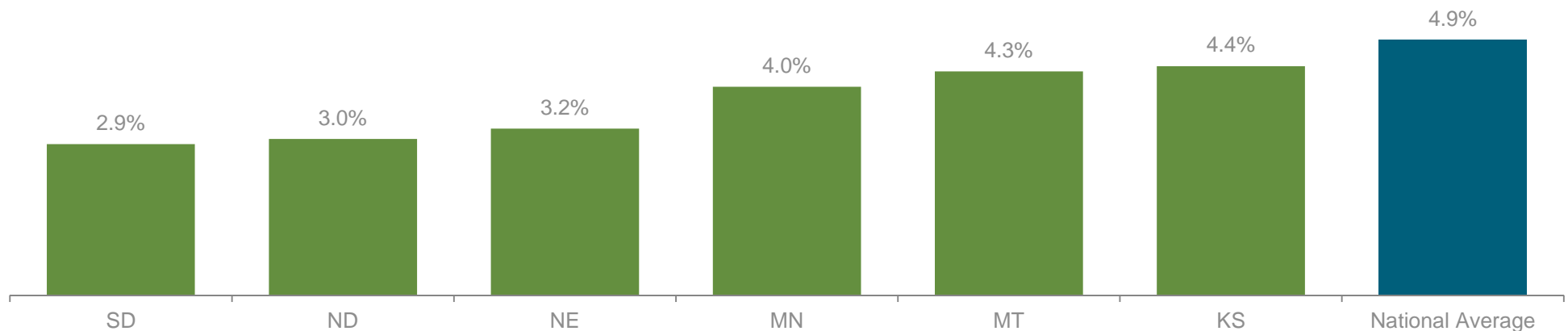
*IRET's current markets have considerably lower levels of unemployment relative to the national average*

### U.S. Multifamily Cycle versus U.S. Unemployment

- Employment is near all-time highs due to recent gains, resulting in gradual wage growth
- The average unemployment rate of IRET's current markets is ~127 bps below the national average
- North Dakota unemployment has remained low despite commodity market pullback because of an overall favorable business climate
- Continued structural supply constraints throughout the single-family housing market have resulted in a homeownership bottleneck, preserving a stable rental pool



### Unemployment Rate of IRET Current Markets versus National Average



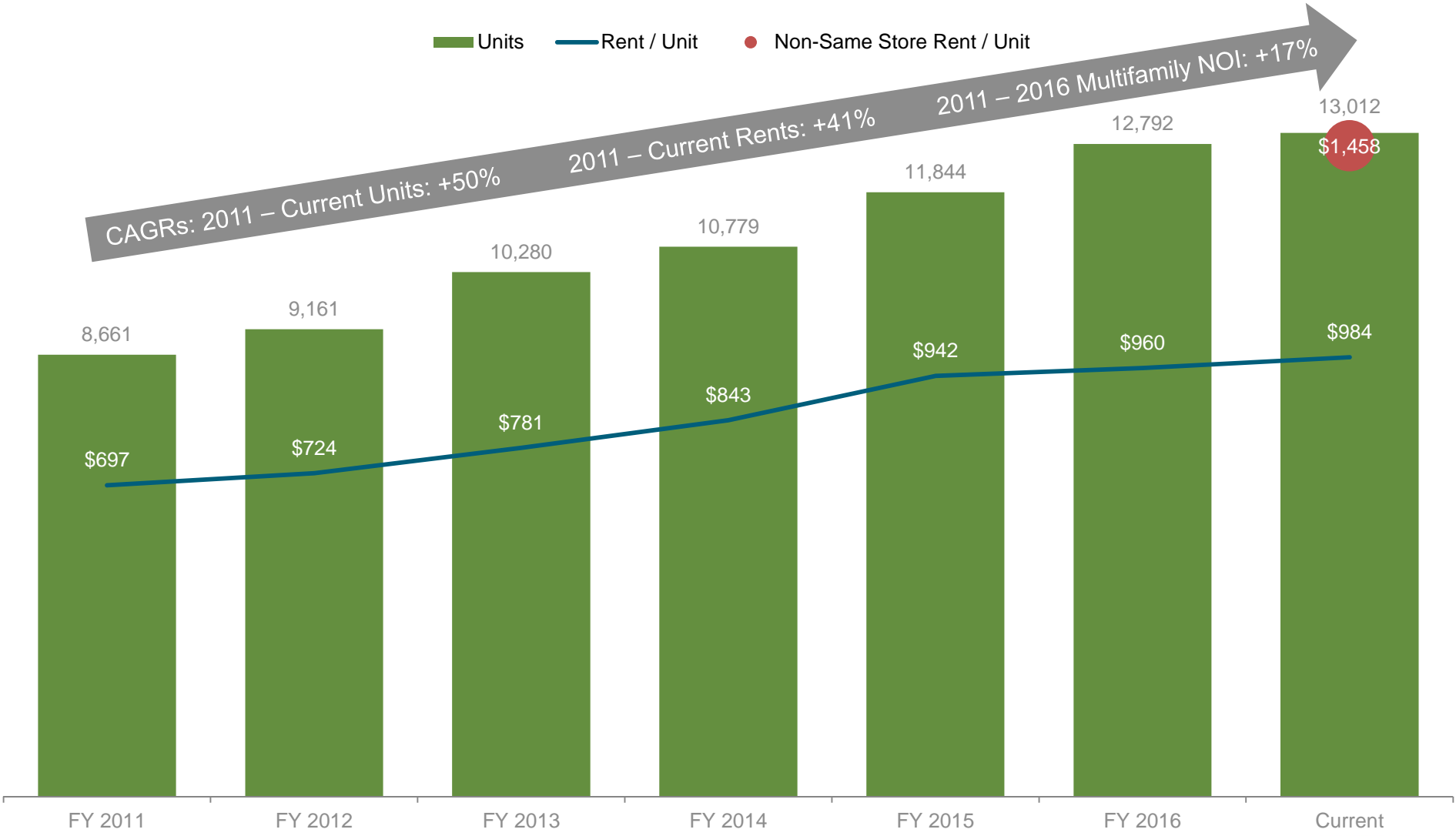
## IRET IS BUILDING A COMPETITIVE ADVANTAGE

*IRET has been building scale and depth in its multifamily platform and the resulting portfolio quality is reflected in rent and NOI improvement*



Total Multifamily NOI (\$USmm)

Units   Rent / Unit   Non-Same Store Rent / Unit



1. LQA total multifamily NOI as of 7/31/2016.

# REPOSITIONING IS DRIVING MORE DESIRABLE EARNINGS

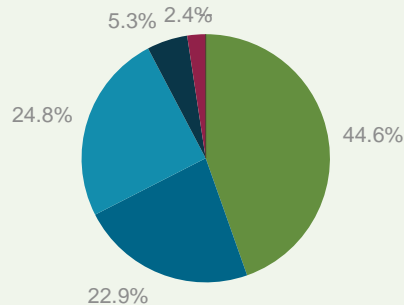
*IRET is executing a three-pronged approach to optimize its platform and create value through sustainable growth*

## Asset and Earnings Quality

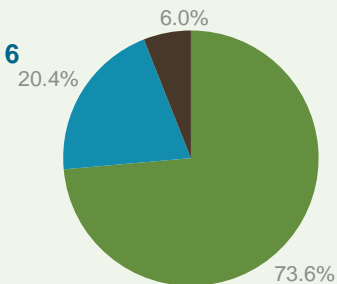
- Focused on demonstrating capital allocation skills and adding rigor to all aspects of our decision making
- Capital recycling for non-core, non-multifamily assets
- Acquire / develop high-quality assets in vibrant Midwest markets with strong returns
- Focus on larger assets, efficient design, and economies of scale

1/31/2015

■ Multifamily    ■ Office    ■ Healthcare  
■ Retail    ■ Industrial    ■ Other



7/31/2016

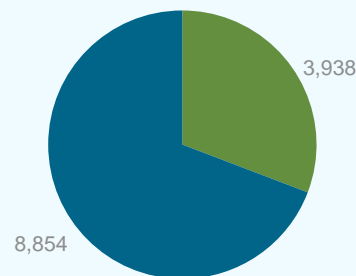


## Improving Operations

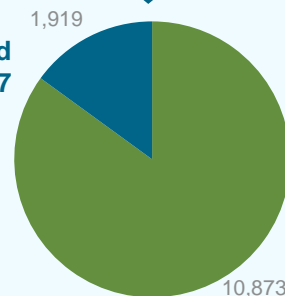
- Integration of LRO lease optimization system across portfolio in 2016 will improve top line rents and minimize future vacancy
- Ongoing conversion to a ratio utility billing system (RUBS) to recapture resident utility expenses supports higher margins
- Value-add initiatives to capture higher rents from repositioning existing assets
- Renovated apartments are achieving returns of 8% - 10%
- Focus on improving the whole resident experience including e-payment solutions

4/30/2016

■ Units under RUBS  
■ Units not under RUBS

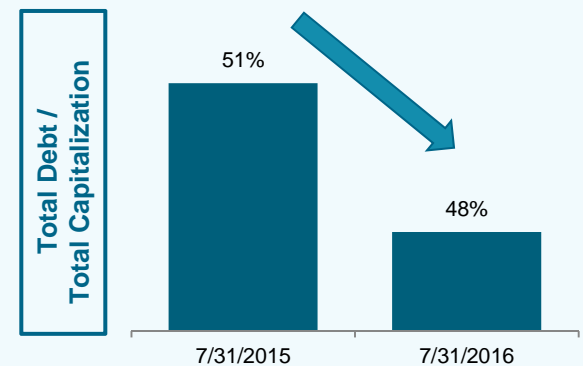
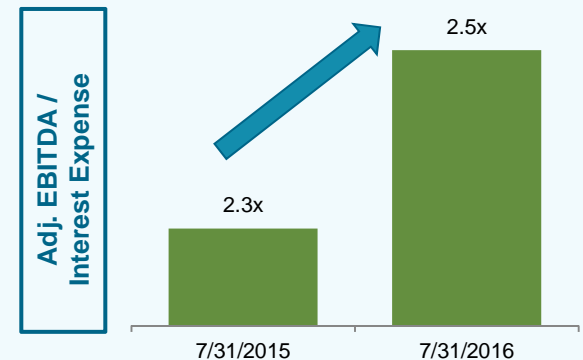


Anticipated 1/1/2017



## Balance Sheet Strength

- Long-term goal to achieve an investment grade rating credit rating with metrics in-line with peers
- Build unencumbered asset base and implement unsecured credit facility for greater flexibility, lower cost, and growth potential
- Focus on deleveraging, including the announced redemption 8.25% Series A preferred in December 2016
- Continue improving fixed cost coverage ratio





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Thomasbrook  
Lincoln, NE



Regency Park Estates  
St. Cloud, MN

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