

	CONTENTS:
-	Advisor's Letter to Shareholders1
Zime	The Company3
	The Board of Trustees
1444	The Advisor
	Real Estate Investments
	Operations
	Earnings & Dividends
	Financial Statements

March 31, 2007

To Our Shareholders:

2006 was a great year for INREIT Real Estate Investment Trust. Our results again show that diversification in our real estate holdings remains the right path to long-term growth and stability. Growth in our real estate holdings drove another record year in revenues, and we also produced solid results in net income. Our balance sheet and cash flow all remain strong.

In all, I am pleased to report our 2006 outcomes as follows:

Operating revenues increased to \$5.2 million, and net income was \$565,000. Funds from Operations totaled \$1,575,000, or approximately 87 cents per share on a weighted average basis. The common dividend paid in 2006 increased to 68.75 cents per share, providing a dividend yield of 6.25%.

Early in 2007, our Board of Directors increased the dividend to an indicated annual rate of 71.5 cents from 68.75 cents per share in 2006. We have dependably delivered dividend increases to our investors every year since inception.

2007 brings new talents and assets to INREIT Real Estate Investment Trust with our strategic partnership with Goldmark Property, Fargo, ND, and the added management team of Ken Regan, Jim Wieland, Dale Lian and Jim Echtenkamp, partners of Goldmark Property and INREIT Management.

We will continue to build our business with a deep conviction to bring value to our shareholders today and in the future. We thank you for your continued investment and confidence in INREIT Real Estate Investment Trust.

Respectfully,

Randy I. Westby, CPA, COO

INREIT Management, LLC

Rug Wy CPA





Sierra Ridge Apts., Bismarck, ND



THE COMPANY

INREIT was officially formed on November 1, 2002. At that point, the Golden Estates independent living facility in Williston, ND, was purchased with funds from the original ten shareholders. We first sold shares to the public in January, 2003, as part of our \$2 million offering. That offering was expanded to \$5 million later in the year.

INREIT Properties, LLLP, was formed during 2003 to act as our operating partnership and to allow the Company to acquire appreciated real property and to provide recognition of gain by the owners. All of our properties are held by INREIT Properties, LLLP, for which INREIT acts as the General Partner.

THE BOARD OF TRUSTEES

INREIT is governed by a Board of Trustees which makes all final decisions regarding real estate acquisitions, property dispositions and other important matters pertaining to the Company. Our Board is now comprised of eleven trustees, as introduced to you below.

EARL STRINDEN is a current resident of Grand Forks, ND. He received a B.A. from Concordia College and an M.A. from UND. Well-known in his public life, he spent twenty-six years in elected office, starting with the Grand Forks City Council from 1962-1970 and twenty-



two years in the North Dakota House of Representatives. Earl served as House Majority Leader longer than anyone in North Dakota's history.

Earl is a veteran of the U.S. Marine Corps. He was a faculty member at Lincoln High School, Thief River Falls, MN, and was part owner and manager of Strinden Hardware in Grand Forks from 1959-1969. He was one of the founding board members of Community National Bank, Grand Forks, ND and a member of the board of directors from 1964 to 2000.

In 1969, Earl joined the staff of the Alumni Association of UND. In 1974, he became CEO of the Association, a non-profit corporation with a nation-wide membership of over 90,000. In 1978, Earl was a founder of the UND Foundation and served as the CEO of the Foundation and the Alumni Association, two separate organizations, until he retired in 2000. Under his leadership, the Foundation grew in assets

from \$1,000,000 to over \$130,000,000. Earl is the recipient of the Greater North Dakotan Award, the Sioux Award from the UND Alumni Association, and the Alumni Award from Concordia College.

Earl currently serves as Chairman of INREIT's Board.

RANDY I. WESTBY is a Certified Public Accountant. Randy was raised in Rolette, ND, and graduated from Rolette High School in 1976. He graduated from the University of North Dakota, Grand Forks, ND, in 1980 with a BSBA in accounting, followed by two semesters of gradu-



ate school. He has worked as an accountant with Zine, Hoover & Voeller, CPAs, and Dresser Atlas, both in Williston, ND.

In July of 1983, he established Randy I. Westby, CPA, PC in Rugby, ND, where he worked as a CPA until 2003. Randy assisted in multi-million dollar real estate development projects with Pamida and Alco. He is the current president of Kresda, Inc., a real estate development company, is on the board at the Minot Country Club and also serves as Vice-President of the North Dakota Golf Association. Since its inception in November of 2002, he has acted as Chief Operating Officer of INREIT and is currently Vice Chairman of the Board.

Randy resides in Minot with his wife, Debora and their two children.

LAWRENCE R. (LARRY) O'CALLAGHAN has been a resident of Fargo, ND, for the past ten years and is the owner of O'Callaghan & Associates, Inc. As an investment broker, he is actively raising new investment capital for INREIT.



Reared in the south central part of North Dakota near Hazelton, Larry spent his youth working on the family farm. After graduating from Hazelton High School, he moved to Bismarck and earned an associate of arts degree in computer programming and systems analyst from Bismarck State College in 1970.

Larry has been a licensed life and health agent since 1974. From 1979 to 1984, he was coowner of an insurance agency in Bismarck, ND. Being responsible for training, sales and marketing support for fourteen agents, he has a history of positive experiences in administration of staff and operations.

INREIT

Larry's history as an investment consultant includes work experiences with EF Hutton, AG Edwards, Securities America, Huntingdon Securities and currently is a financial consultant with Fintegra Financial Solutions. Larry has held his Series 6 and 63 Security Licenses since 1983 and Series 7 since 1985. Larry was awarded the CSA (Certified Senior Advisor) certification in 2001. He became a realtor with Pifer's Auction & Realty in April, 2006. His work experience includes raising millions of new investment capital dollars for real estate investment trusts since 1994. Larry served as INREIT's first Chairman of the Board.

VERNON OWAN was educated locally for twelve years and then attended UND in Grand Forks for a year. He has been active in farming, real estate, and both commercial and residential construction most of his adult life. His most recent accomplishments were fourteen duplexes,



a sixteen-unit independent living facility for senior citizens (Golden Estates), which was opened in October of 1999, and the Marquis Plaza & Suites motel located in Williston, North Dakota.

TIM HUNT is currently the CEO for a thirty-six physician hospital in Alexandria, MN. He obtained his Masters in Health Care Administration from the University of Minnesota, is a Diplomat in The American College of Healthcare Administrators and has spent twenty-eight



years in healthcare administration. Tim is a past board member of the MN Medical Group Management Association (an association of 700 clinic managers).

Tim currently holds board positions with the following groups: Board member of Bremer Trust; Board Member and Treasurer of Luthercrest Bible Camp; and Board Member and President of Alexandria Imaging.

Tim is a past board member of the Alexandria Chamber of Commerce, past board member and president of Calvary Lutheran Church, and past board member of the United Way. He and his wife, Pamela, and children make their home in Alexandria, Minnesota.



PEGGY J. BECKER was raised on a ranch at Beulah, ND, attended school at Beulah High and has worked in the restaurant business in Bismarck since 1970. She purchased the Little Cottage Café in 1985, which she managed and owned until 1997. Peggy pur-



chased Armstrong Sanitation Plus in 1993 and Dakota Sanitation Plus & Roll-Off, Inc. in 1997, which she still owns and manages today.

PHILIP GISI is a shareholder and the Secretary/Treasurer and CFO of Edgewood Vista Senior Living, Inc., which was founded in Minot, North Dakota in 1992. The Corporation owns and operates independent living, assisted living and Alzheimer's care facilities in 20 locations covering a 5-state region.



Phil was raised in New Rockford, ND, and graduated from the University of North Dakota in 1982 with a BSBA in accounting, and attended graduate school in Health Care Administration. He was the CFO for Custom Contractors, Inc., an oil field service and construction company in Dickinson, ND, from 1982 to 1986. In 1986, Phil joined St. Joseph's/UniMed Medical Center, a 200-bed hospital in Minot, ND, as Controller, and was named Vice President/CFO in 1988 and President/CEO in 1995. Phil became a shareholder of Edgewood Vista Senior Living, Inc. in 1994 and joined the company as Vice President/CFO in April, 1996. He moved Edgewood's corporate offices to Grand Forks in 1998.

Phil is also partner in Edgewood Development Group. His primary responsibilities include real estate development and finance for the company's Edgewood Village developments. He is a past Chair of the East Grand Forks Chamber of Commerce. He and his wife, Trish, have two children and live in Grand Forks.

DR. THOMAS I. STRINDEN obtained his B.A. in biology from Concordia College in Moorhead, MN. He attended the University of North Dakota School of Medicine. After a transitional internship year at St. Lukes Hospital in Fargo, he



completed his ophthalmology training at the

INREIT

University of Wisconsin, Madison. He began his career with River Valley Clinic in the Twin Cities area from 1992-1995 and is currently the managing physician partner for eye services with the Meritcare Medical Group in Fargo, ND.

Dr. Strinden was awarded Fargo-Moorhead's "Top Doc" designation in 2002. He is married and has four children.

Dr. Strinden maintains several professional organization memberships as follows:

- Councilor to the American Academy of Ophthalmology
 - Fellow American Academy of Ophthalmology
 - North Dakota First District Medical Society
 - Member American Medical Association
- North Dakota Society of Eye Physicians and Surgeons
 - Associates Clinical Professor UNDSM
 - Alpha Omega Alpha Honor Society.

CLIFFORD P. FEARING was born on August 24, 1943, in Hibbing, MN. He graduated from Hibbing High School in 1961 and from the University of Minnesota, Duluth campus, in 1965 with a B.A. in Accounting/Finance, and a minor



in International Law. Cliff began his accounting career with Lybrand, Ross Brothers and Montgomery, Inc. in Chicago, IL, in 1965. In 1967, he moved to the accounting firm of Boulay, Heutmarker and Zibell, Inc. in Minneapolis. In 1969, he took a position with the University of Minnesota Hospitals in Minneapolis, and eventually became CFO in charge of the Hospital's finances, and retired from that position in 1999.

Cliff was a member of the Dellwood Hills Country Club board and president of the board in 1999. He resides in Stillwater with his wife, Donna, and has two adult children.

REX CARLSON serves as a personal and business advisor to Ronald D. Offutt, Jr. and R.D. Offutt Company. He provides business succession planning and executive-level management support to a variety of businesses connected with the Company. In addition, Mr.



Carlson provides business strategy, tax and succession planning services to a variety of other high-wealth individuals and family-owned businesses throughout the region and the U.S.

A native North Dakotan, Mr. Carlson holds a bachelor of business administration degree in accounting from the University of North Dakota and a master of business taxation degree from the University of Minnesota Carlson School of Management. He is a certified public accountant and holds licenses in North Dakota and Minnesota.

Rex has broad experience serving on various non-profit boards including Make-A-Wish of North Dakota (1999 to present) where he has served as treasurer; St. Mary's Home, a nursing and long-term care facility located in St. Paul, MN; Northern Lights Council of the Boy Scouts of America (current); the Northern Plains Ethics Institute (2000-present); the National Tax Committee of the National Society of Accountants for Cooperatives (1994-1998); and Ducks Unlimited Fargo (1993 to present), where he has served as area chairman. He is an active member and past president (2003-2004) of the Fargo Rotary. In his spare time, Rex enjoys hunting, playing guitar and coaching youth hockey.

DAVID A. LASKE has owned an accounting and tax practice for the past twenty years in Fargo, ND. He has been in the public accounting profession since 1969, including twelve years as a tax manager at then Eide Helmeke & Co., a large



regional accounting firm in Fargo, ND. David practices in North Dakota as a Licensed Public Accountant (LPA), and holds the designation of Accredited Tax Advisor from the Accreditation Council of Accounting and Taxation.

Active in the accounting profession, David has held the offices of president, vice president and secretary/treasurer of the North Dakota Society of Public Accountants and CPE committee chair of NDSPA for approximately ten years. He was also involved with a seminar presentation business for accountants.

In addition, David is currently on the board of directors of Fraser, Ltd., in Fargo, North Dakota, an organization serving the needs of the disabled population. He has been treasurer of Fraser, Ltd. for the past twelve years and serves on various board committees, including executive, finance and insurance, and personnel.



INREIT

THE ADVISOR

INREIT Management, LLC, is the Advisor to INREIT (the "Truste") and, under the direction of the Trustees, manages it's day-to-day operations. The Advisor provides office facilities and equipment, supplies and staff required to conduct the operations of INREIT. It is also responsible for preparation of reports to both the Trustees and shareholders, and advises the Board with regard to investment decisions. The management team consists of:



Randy I. Westby, COO



Roger W. Domres, Director of Marketing



James S. Wieland, Partner



James D. Echtenkamp, Partner



Kenneth P. Regan, Partner



Dale Lian, Partner



Jacqueline K. Duke Director, Acquisitions & Finance



Darla J. Iverson, Corp. Secretary & Investor Relations



Lindsey N. Loomis, Administrative Assistant

REAL ESTATE INVESTMENTS

2002	
Nov. 1, 2002 Golden Estates independent living facility, Williston, ND	\$ 1,350,000
2003	
July 1, 2003 Grand Forks Marketplace retail center, Grand Forks	\$ 6,040,000
Sept. 30, 2003 Ellingson Apts., Carrington	\$ 590,000
Sept. 30,2003 The Villages housing developments, eight locations in ND & SD	\$ 2,410,000
2004	
Jan. 31, 2004 Midtown Plaza office/professional building, Minot	\$ 300,000
Mar. 16, 2004 Bank of the West (formerly Community First Bank) building, Fargo	\$ 3,800,000
Aug. 16, 2004 Autumn Ridge Apts., Grand Forks (Building I & land)	\$ 3,000,000
Sept. 15, 2004 Edgewood Vista assisted living facility, Minot	\$ 7,830,000
5 01 0001	

\$

2,075,000

Dec. 31, 2004 Autumn Ridge Apts., Grand Forks

(Building II)



Apts., Bismarck

REAL ESTATE INVESTMENTS (Cont'd.)							
2005							
Feb. 1, 2005 Great American Insurance building, Fargo	\$	1,725,000					
Jan. 13, 2005 Chandler Apts., Grand Forks	\$	310,000					
June 1, 2005 Edgewood Vista assisted living facility, Minot (remaining 1/2 interest)	\$	1,070,000					
July 1, 2005 Colonial Plaza retail complex, Norfolk, NE	\$	2,860,000					
Oct. 4, 2005 Edgewood Vista Alzheimer's facility, Grand Island, NE	\$	1,075,000					
Oct. 4, 2005 Edgewood Vista Alzheimer's facility, Columbus, NE	\$	1,075,000					
Oct. 7, 2005 Grand Forks Marketplace, add'l. 16.67% interest, Grand Forks, ND	\$	3,600,000					
Sept. 30, 2005 West Pointe Centre (land), Fargo	\$	695,000					
Dec. 31, 2005 Edgewood Vista Alzheimer's facility, Belgrade, MT	\$	1,075,000					
2006							
March 27, 2006 Eide Bailly building, Fargo	\$	4,500,000					
July 12, 2006 Becker Furniture building, Waite Park, MN	\$	2,150,000					
Sept. 1, 2006 Maylor Manor Apts., Fargo	\$	850,000					
Sept. 1, 2006 Prairiewood Court I Apts., Fargo	\$	690,000					
Sept. 1, 2006 Sierra Ridge	c	2 270 000					

\$

3,270,000

Sept. 8, 2006 Edgewood Vista Alzheimer's facility, Norfolk, NE	\$ 1,100,000
Dec. 2006 Aetna property, Bismarck	\$ 5,900,000
Dec. 2006 Columbia Park (land); Grand Forks	\$ 540,000

INREIT Real Estate Investment Trust has received property and capital through UPREIT - 1031/721 Exchanges - totaling in excess of \$14,000,000. These transactions allow for tax-deferred exchanges of real estate in exchange for partnership units in INREIT Properties.





The above photos are of the West Pointe strip center located in Fargo, North Dakota. INREIT built this property in 2006 and it is currently in the leasing phase.



INDEPENDENT AND ASSISTED LIVING FACILITIES



GOLDEN ESTATES, WILLISTON, ND

EDGEWOOD VISTA, MINOT, ND





EDGEWOOD VISTA, GRAND ISLAND, NE

EDGEWOOD VISTA, COLUMBUS, NE





EDGEWOOD VISTA, BELGRADE, MT

EDGEWOOD VISTA, NORFOLK, NE

(not pictured)



RESIDENTAL PROPERTIES



Sierra Ridge Apts., Bismarck, ND

Prairiewood Court I Apts., Fargo, ND

Maylor Manor Apts., Fargo, ND



Ellingson Apts., Carrington, ND

Chandler Apts., Grand Forks, ND



COMMERCIAL/RETAIL PROPERTIES



AETNA HEALTH CARE, BISMARCK, ND





WESTPOINTE CENTRE, FARGO, ND





BECKER FURNITURE, WAITE PARK, MN





GRAND FORKS MARKETPLACE RETAIL CENTER, GRAND FORKS, ND









COMMERCIAL/RETAIL PROPERTIES



COLONIAL PLAZA RETAIL CENTER, NORFOLK, NE





INREIT PLAZA (FORMERLY MIDTOWN PLAZA), MINOT, ND





BANK OF THE WEST FARGO, ND





GREAT AMERICAN INSURANCE, FARGO, ND



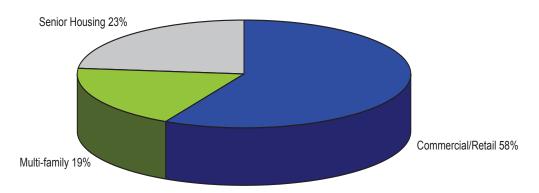


EIDE BAILLY BUILDING (FORMERLY BANNER HEALTH), FARGO, ND





Real Estate Portfolio Mix



OPERATIONS

Our portfolio performed well in 2006. We continue to expand to other geographic regions, with a property in Minnesota added in 2006. We increased our assets by over \$15 million and equity rose by over \$6 million. With the sale of The Villages apartment complexes, we completed the first sale of a property in 2006. These were sold at a profit. We had several projects under development in multi-family, office and retail at the end of 2006.

We continue to search for properties that create value for our shareholders through either acquisition or development.

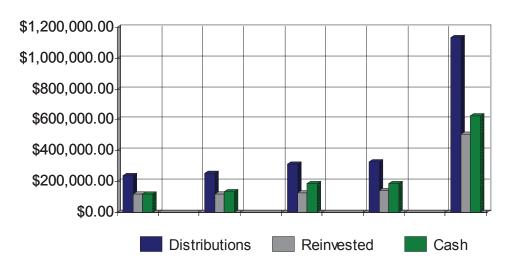
EARNINGS & DIVIDENDS

Our earnings for 2006 were \$565,962. Adding back depreciation of \$1,009,996, our funds from operations were \$1,575,958.

Dividends and distributions paid for the first three quarters were \$798,009, and \$331,286 for the fourth quarter which was paid in January, 2007, for a total of \$1,129,295. Our dividends were 1.563% each quarter, for an annualized rate of 6.25%.

Dividends declared each quarter during Fiscal 2006 were at a rate of \$.171875 per share.

2006 DISTRIBUTIONS



The graph shown above depicts the dividends and distributions paid by INREIT for each quarter, and the total paid for the year 2006.

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Beneficial Interest	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

Board of Trustees

INREIT Real Estate Investment Trust

Minot, North Dakota

We have audited the accompanying consolidated balance sheets of **INREIT Real Estate Investment Trust and Subsidiaries** as of December 31, 2006 and 2005, and the related consolidated statements of operations, beneficial interest, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **INREIT Real Estate Investment Trust and Subsidiaries** as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bismarck, North Dakota

Eide Bally LLP

April 30, 2007

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	\$ 54,339,110	\$ 40,132,532
CASH	847,217	153,369
RESTRICTED DEPOSITS AND FUNDED RESERVES	601,947	361,998
DUE FROM MANAGEMENT COMPANY	134,895	-
PREPAID EXPENSES	32,523	29,769
FINANCING COSTS, less accumulated amortization of \$24,405 in 2006 and \$11,590 in 2005	210,578	118,303
OTHER ASSETS	98,333	
	\$ 56,264,603	\$ 40,795,971
LIABILITIES		
MORTGAGE NOTES PAYABLE	\$ 33,353,039	\$ 26,427,544
SPECIAL ASSESSMENTS PAYABLE	414,290	352,282
NOTES PAYABLE	3,154,530	1,330,543
DUE TO RELATED PARTY	-	85,081
TENANT SECURITY DEPOSITS PAYABLE	81,085	49,461
INVESTMENT CERTIFICATES	369,453	233,563
ACCOUNTS PAYABLE	211,863	110,342
ACCRUED EXPENSES	707,470	352,244
Total liabilities	38,291,730	28,941,060
MINORITY INTEREST OF UNITHOLDERS IN OPERATING PARTNERSHIP	10,214,897	5,977,055
BENEFICIAL INTEREST	7,757,976	5,877,856
	\$ 56,264,603	\$ 40,795,971

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
INCOME		
Income from rental operations	\$ 5,123,069	\$ 4,187,442
Interest income	7,353	419
Gain on disposal of property and equipment	12,474	115,561
Other income	66,480	59,706
	5,209,376	4,363,128
EXPENSES		
Expenses from rental operations		
Interest	1,928,807	1,417,095
Depreciation and amortization	1,009,996	766,524
Real estate taxes	283,147	350,244
Property management fees	205,378	241,788
Utilities	343,105	363,780
Repairs and maintenance	461,320	432,755
Insurance	116,223	113,442
Salary and wages	27,691	27,144
Food costs for residents	18,370	15,736
Administrative	26,054	18,933
	4,420,091	3,747,441
Administration of REIT		
Administrative expenses	16,185	11,276
Advisory fees	156,331	137,432
Director fees	19,500	13,328
Legal and accounting	31,307	31,669
	223,323	193,705
Total expenses	4,643,414	3,941,146
INCOME BEFORE MINORITY INTEREST	565,962	421,982
MINORITY INTEREST	258,566	197,058
NET INCOME	\$ 307,396	\$ 224,924

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF BENEFICIAL INTEREST YEARS ENDED DECEMBER 31, 2006 AND 2005

_	Shares	Amount	Accumulated Earnings (Deficit)	Syndication Costs	Total
BALANCE,					
DECEMBER 31, 2004	631,150	\$ 5,889,522	\$ (112,097)	\$ (596,903)	\$ 5,180,522
Issuance of					
common shares	88,985	981,794			981,794
Repurchase of shares	(20,093)	(202,995)			(202,995)
Dividends			(428,425)		(428,425)
Dividends reinvested	38,252	363,395			363,395
Syndication costs				(241,359)	(241,359)
Net income			224,924		224,924
BALANCE,					
DECEMBER 31, 2005	738,294	7,031,716	(315,598)	(838,262)	5,877,856
Issuance of					
common shares	235,975	2,643,767			2,643,767
Repurchase of shares	(43,016)	(433,637)			(433,637)
Dividends			(544,975)		(544,975)
Dividends reinvested UPREIT units converted	44,095	445,361			445,361
to REIT common shares	13,903	145,043			145,043
Syndication costs	- /	- 7		(682,835)	(682,835)
Net income			307,396		307,396
BALANCE,					
DECEMBER 31, 2006	989,251	\$ 9,832,250	\$ (553,177)	\$ (1,521,097)	\$ 7,757,976

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
OPERATING ACTIVITIES		
Net income	\$ 307,396	\$ 224,924
Adjustments to reconcile net income	Ţ 201,E10	Ψ == :,> = :
to net cash from operating activities		
Gain on sale of property and equipment	(12,474)	(115,561)
Depreciation	982,954	758,728
Amortization	27,042	7,796
Minority interest	258,566	197,058
Effects on operating cash flows due to changes in	238,300	197,036
· · · · · · · · · · · · · · · · · · ·	26,205	1 162
Tenant security deposits	· · · · · · · · · · · · · · · · · · ·	1,163
Real estate tax and insurance escrows	(236,848)	(56,430)
Due from related party	(134,895)	(2.704)
Prepaid expenses	(2,754)	(3,724)
Other assets	(98,333)	- (1.162)
Tenant security deposits payable	31,624	(1,163)
Due to management company	(85,081)	4,031
Accounts payable	101,522	(422,418)
Accrued expenses	355,226	76,841
NET CASH FROM OPERATING ACTIVITIES	1,520,150	671,245
INVESTING ACTIVITIES		
Purchase of property and equipment	(12,155,845)	(8,516,943)
Proceeds from sale of property and equipment	2,341,352	-
Net deposits to replacement reserve	(29,306)	(50,280)
Payments received on related party note receivable		10,000
NET CASH USED FOR INVESTING ACTIVITIES	(9,843,799)	(8,557,223)
FINANCING ACTIVITIES		
Payments for financing costs	(119,318)	(69,604)
Proceeds from investment certificates issued	375,440	181,098
Payments on investment certificates	(239,550)	(90,000)
Principal payments on special assessments payable	(36,631)	(41,776)
Proceeds from issuance of mortgage notes payable	13,405,691	11,201,600
Principal payments on mortgage notes payable	(7,149,100)	(3,755,391)
Net change in notes payable	1,823,987	1,205,543
Proceeds from issuance of shares	2,643,767	981,794
Purchase of remaining minority interest in subsidiary	- (400 50=)	(1,108,202)
Repurchase of shares	(433,637)	(202,995)
Distributions paid to shareholders	(99,614)	(65,030)
Distributions paid to minority partners	(470,703)	(298,321)
Payment of syndication costs	(682,835)	(241,359)
CASH FLOWS FROM FINANCING ACTIVITIES	9,017,497	7,697,357

CONSOLIDATED STATEMENTS OF CASH FLOWS – page 2

	2006	2005
NET CHANGE IN CASH	693,848	(188,621)
CASH AT BEGINNING OF YEAR	153,369	341,990
CASH AT END OF YEAR	\$ 847,217	\$ 153,369
SCHEDULE OF CASH FLOW INFORMATION Cash paid during the year for interest, net of capitalized interest of \$191,097 in 2006 SUPPLEMENTARY SCHEDULE OF NONCASH	\$ 2,027,361	\$ 1,394,104
INVESTING AND FINANCING ACTIVITIES Distributions reinvested	\$ 445,361	\$ 363,395
UPREIT units converted to REIT common shares	\$ 145,043	\$ -
Acquisition of assets in exchange for the issuance of minority interest shares in UPREIT	\$ 4,595,022	\$ 2,483,740
Acquisition of assets through assumption of debt	\$ 668,904	\$ 2,240,308
Increase in land improvements due to increase in special assessments payable	\$ 141,057	\$ 202,682
Decrease in land improvements and special assessments payable through sale of property	\$ 42,418	\$ -

INREIT REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1 - ORGANIZATION

The INREIT Real Estate Investment Trust ("INREIT") is a registered, but unincorporated business trust organized in North Dakota in November 2002. INREIT has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code, which requires that 75 percent of the assets of a REIT must consist of real estate assets and that 75 percent of its gross income must be derived from real estate. The net income of the REIT is allocated in accordance with the stock ownership in the same fashion as a regular corporation.

INREIT previously established an operating partnership (INREIT Properties, LLLP) and transferred all of its assets and liabilities to the operating partnership in exchange for general partnership units. The general partner has management responsibility for all activities of the operating partnership. As of December 31, 2006 and 2005, INREIT had an ownership percentage of approximately 54 and 59 percent, respectively. INREIT Properties, LLLP is the 100% owner of Grand Forks Inreit, LLC, Minot Vista Properties, LLC, Autumn Ridge Inreit, LLC, and 32nd Avenue Inreit, LLC, and a 50% owner of Marketplace Investors, LLC.

NOTE 2 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of INREIT; INREIT Properties, LLLP; Grand Forks Inreit, LLC; Minot Vista Properties, LLC; Autumn Ridge Inreit, LLC; 32rd Avenue Inreit, LLC; and Marketplace Investors, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Principal Business Activity

INREIT has a general partner interest in INREIT Properties, LLLP, which owns and operates the following property:

Residential Property

- 16 unit assisted living facility in Williston, North Dakota.
- Two 4-plex and one 12-plex apartment buildings in Carrington, North Dakota.
- 72 unit apartment building located in Grand Forks, North Dakota.
- 12-plex apartment building in Grand Forks, North Dakota.
- 136 unit apartment complex located in Bismarck, North Dakota.
- 18 unit apartment building in Fargo, North Dakota.
- 24 unit apartment building in Fargo, North Dakota.

Commercial Property

- 31,000 square foot office building in Fargo, North Dakota.
- 20,000 square foot office building in Minot, North Dakota.
- 45,000 square foot retail complex in Norfolk, Nebraska.
- 15,000 square foot office and retail complex in Fargo, North Dakota.
- 29,000 square foot office and retail complex in Fargo, North Dakota.
- 30,200 square foot retail facility in Waite Park, Minnesota.
- 75,000 square foot office building in Bismarck, North Dakota (50% interest as of 12/31/06 with subsequent purchase of the remaining 50% in 2007 (Note 12).

INREIT Properties, LLLP is the 100% owner of Grand Forks Inreit, LLC, which owns a 1/3 interest as a tenant in common of Grand Forks Marketplace Retail Center. INREIT Properties, LLLP is also the 50% owner of Marketplace Investors, LLC, which owns a 1/3 interest as a tenant in common of Grand Forks Marketplace Retail Center. Grand Forks Marketplace Retail Center has approximately 183,000 square feet of commercial space in Grand Forks, North Dakota.

INREIT Properties, LLLP owns a 2/3 interest as a tenant in common of a commercial building with approximately 75,000 square feet of rental space in Fargo, North Dakota.

INREIT Properties, LLLP is the owner of Minot Vista Properties, LLC, which owns and leases property to a 168 unit assisted living facility in Minot, North Dakota.

INREIT Properties, LLLP is the owner of four 12 unit facilities for Alzheimer's care located in Grand Island, Nebraska; Columbus, Nebraska; Norfolk, Nebraska; and Belgrade, Montana.

Concentration of Credit Risk

INREIT's cash balances are maintained in various bank deposit accounts. The bank deposit accounts may exceed federally insured limits at various times throughout the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is stated at cost. All costs associated with the development and construction of real estate investments, including acquisition fees and interest, are capitalized as a cost of the property. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for routine maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method over the following estimated useful lives:

40 years

9 years

Buildings and improvements Furniture and fixtures

Annually, INREIT evaluates its real estate investments for significant changes in the operations to assess whether any impairment indications are present, including recurring operating losses and significant adverse changes in legal factors or business climate that affect the recovery of the recorded value. If any real estate investment is considered impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value.

Cash and Cash Equivalents

Highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents.

Minority Interest

Interests in the operating partnership held by limited partners are represented by operating partnership units. The operating partnerships' income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to minority interests in accordance with the terms of the operating partnership agreement.

Syndication Costs

Syndication costs consist of costs paid to attorneys, accountants, and selling agents, related to the raising of capital. Included in syndication costs are acquisition fees and commissions. These fees are paid based on management's discretion. Syndication costs are recorded as a reduction to equity.

Federal Income Taxes

INREIT has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue. A REIT calculates taxable income similar to other domestic corporations, with the major difference being that a REIT is entitled to a deduction for dividends paid. A REIT is generally required to distribute each year at least 90 percent of its taxable income. If it chooses to retain the remaining 10 percent of taxable income, it may do so, but it will be subject to a corporate tax on such income. REIT shareholders are taxed on REIT distributions of ordinary income in the same manner as they are taxed on other corporate distributions.

INREIT intends to continue to qualify as a real estate investment trust as defined by the Internal Revenue Code and, as such, will not be taxed on the portion of the income that is distributed to the shareholders. In addition, INREIT intends to distribute all of its taxable income, therefore, no provision or liability for income taxes have been recorded in the financial statements.

INREIT Properties, LLLP is organized as a limited partnership. Income or loss is allocated to the partners in accordance with the provisions of the Internal Revenue Code 701(b) and 704(c). UPREIT status allows non-recognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for partnership interest. The conversion of partnership interest to shares of beneficial interest in the REIT will be a taxable event to the limited partner.

Revenue Recognition

Housing units are rented under short-term lease agreements. Commercial space is rented under long-term lease agreements. Rent income from tenants is recognized in the month in which it is earned rather than received.

Reimbursements from commercial tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. INREIT receives payments for these reimbursements from substantially all its multi-tenant commercial tenants throughout the year based on estimates. Differences between estimated recoveries and the final billed amounts, which are immaterial, are recognized in the subsequent year.

Advertising and Marketing

Costs incurred for advertising and marketing are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2006 and 2005 was \$5,319 and \$5,932, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2006 is as follows:

	Residential		 Commercial	Total
Land and land improvements	\$	1,754,957	\$ 5,554,192	\$ 7,309,149
Building and improvements		10,318,168	32,953,688	43,271,856
Furniture and fixtures		591,357	-	591,357
Construction in progress		-	5,231,021	5,231,021
		12,664,482	43,738,901	56,403,383
Less accumulated depreciation		(1,106,691)	 (957,582)	 (2,064,273)
	\$	11,557,791	\$ 42,781,319	\$ 54,339,110

Property and equipment as of December 31, 2005 is as follows:

	Residential		Commercial		Total
Land and land improvements	\$	742,054	\$	4,742,288	\$ 5,484,342
Building and improvements		8,503,363		26,878,248	35,381,611
Furniture and fixtures		346,363		-	346,363
Construction in progress				180,517	180,517
		9,591,780		31,801,053	41,392,833
Less accumulated depreciation		(456,857)		(803,444)	(1,260,301)
	\$	9,134,923	\$	30,997,609	\$ 40,132,532

Property additions in 2006 include \$191,097 of interest capitalized during the year during construction.

NOTE 4 - RESTRICTED DEPOSITS

	2006		2005	
Tenant security deposits Real estate tax and insurance escrows Replacement reserves	\$	23,256 480,071 98,620	\$	49,461 243,223 69,314
	<u></u> \$	601,947	\$	361,998

Tenant Security Deposits

Pursuant to management policy, INREIT has set aside funds to repay tenant security deposits upon tenant move-out.

Real Estate Tax and Insurance Escrows

Pursuant to the terms of certain mortgages and management policy, INREIT established and maintains real estate tax escrows and insurance escrows to pay real estate taxes and insurance. INREIT is to contribute to the account monthly an amount equal to 1/12 of the estimated real estate taxes and insurance premiums.

Replacement Reserves

Pursuant to the terms of certain mortgages and management policy, INREIT established and maintains several replacement reserve accounts. INREIT makes monthly deposits into the replacement reserve accounts to be used for repairs and replacements on the property. Certain replacement reserve accounts require authorization from the mortgage company for withdrawals.

NOTE 5 - MORTGAGE NOTES PAYABLE

Mortgage notes payable consists of:

	2006	 2005
5.26% mortgage note payable, due in monthly installments of \$25,522, including interest until July 2013, secured by a mortgage on property, security agreement, and an assignment of rents - see Note 11)	\$ 6,590,438	\$ 6,695,322
Variable rate mortgage note payable, (7.75% at December 31, 2006) due in monthly installments of \$3,290, adjusted annually, unpaid principal and interest due February 2014, secured by a mortgage on property and equipment	372,527	392,643
8.3% mortgage note payable, due in monthly installments of \$19,058, unpaid principal and interest due November 2010, secured by a mortgage on property and equipment	2,396,996	2,422,802
Variable rate mortgage note payable, (7.1% at December 31, 2006) due in monthly installments of \$12,361, unpaid principal and interest due December 2015, secured by a mortgage on property and an assignment of rents	1,690,317	1,720,000
7.15% mortgage note payable, due in monthly installments of \$5,439, including interest, unpaid principal and interest due March 2011, secured by a mortgage on property and a security interest in cash or investment accounts with the lender	777,714	750,000
Variable rate mortgage note payable, (7.32% at December 31, 2006) due in varying monthly installments of approximately \$9,500, including interest, unpaid principal and interest due April 2020, secured by a mortgage on property and a security interest in cash or investment accounts held with the lender	1,261,208	1,281,204
6.35% mortgage note payable, due in monthly installments of \$7,586, including interest, unpaid principal and interest due June 2010, secured by a mortgage on property and a security interest in cash or investment accounts with the lender	1,013,304	1,038,221

	2006	2005
Variable rate mortgage note payable, interest fixed at 6.25% through June 2010, thereafter adjusted every 5 years, due in monthly installments of \$15,356 until July 2025, secured by a mortgage on property and an assignment of rents	2,025,898	2,082,031
5.74% mortgage note payable, due in monthly installments of \$18,945, including interest, until January 2016, secured by a mortgage on property, security agreement, and an assignment of rents	3,213,790	3,250,000
Variable rate mortgage note payable, (7.35% at December 31, 2006) due in monthly installments of \$6,321 including interest, until March 15, 2016, secured by a mortgage on property and an assignment on rents	849,522	-
7.75% mortgage note payable, principal and interest due in one lump sum May 2007, secured by a mortgage on property - see Note 11	1,544,426	-
6.66% mortgage note payable, due in monthly installments of \$41,114, including interest, until December 2021, secured by a mortgage on property	6,000,000	-
5.92% mortgage note payable, due in monthly installments of \$22,291, including interest, until November 2019, secured by a mortgage on property and guaranty of owners	1,249,988	-
5.46% mortgage note payable, due in monthly installments of \$5,842, including interest, until August 2019, secured by a mortgage on property	1,014,454	
Variable rate mortgage note payable, (6.79% at December 31, 2006) principal and interest due in one lump sum January 2009, secured by a mortgage on property	2,694,240	-
6.125% mortgage note payable, due in monthly installments of \$3,432, including interest, until May 2020, secured by a mortgage on property	376,124	_
6.125% mortgage note payable, due in monthly installments of \$2,574, including interest, until May 2020, secured by a mortgage on property	282,093	
Notes paid in full		6,795,321
	\$ 33,353,039	\$ 26,427,544

The mortgage notes agreements include covenants that, in part, impose maintenance of certain debt service coverage and debt to worth ratios. Certain of these provisions were not met during the current year and were not cleared at year end.

Long-term debt maturities are as follows:

Years ending December 31,	Amount
2007	\$ 2,082,399
2008	554,605
2009	3,287,186
2010	1,521,652
2011	1,360,828
Thereafter	24,546,369
	\$ 33,353,039

INREIT has a \$2,960,000 variable rate (8.25% at December 31, 2006) line of credit agreement with Bremer Bank, which expires on June 15, 2012. At December 31, 2006, \$2,029,531 was outstanding on the line of credit.

INREIT has a \$3,000,000 variable rate (8.25% at December 31, 2006) line of credit agreement with Bremer Bank, which expires on June 15, 2007. At December 31, 2006, \$1,125,000 was outstanding on the line of credit.

INREIT has a \$2,000,000 variable rate (8.25% at December 31, 2006) line of credit agreement with Wells Fargo Bank, which expires on January 1, 2007. At December 31, 2006, there was no outstanding balance on the line of credit.

NOTE 6 - INVESTMENT CERTIFICATES

INREIT periodically issues investment certificates bearing various interest rates in exchange for cash. The interest rate depends upon the maturity of the investment certificate. During 2006, INREIT issued investment certificates ranging from 5.5 to 7 percent totaling \$375,440. During 2005, INREIT issued investment certificates ranging from 4.5 to 7 percent totaling \$181,098. At December 31, 2006 and 2005, INREIT had outstanding investment certificates totaling \$369,453 and \$233,563, respectively.

Maturities of investment certificates are as follows: 2007 - \$47,600; 2008 - \$0; 2009 - \$57,714; 2010 - \$33,000; 2011 - \$231,139.

NOTE 7 - ACCRUED EXPENSES

	2006		2005	
Real estate taxes Interest Other	\$	552,301 153,531 1,638	\$	264,043 86,469 1,732
	\$	707,470	\$	352,244

NOTE 8 - RELATED PARTY TRANSACTIONS

Property Management Fees

During 2006 and 2005, INREIT incurred property management fees of 5 percent of rents to INREIT Management, LLC. The management team of INREIT Management, LLC consists of Board of Trustee member Randy I. Westby. For the years ended December 31, 2006 and 2005, INREIT paid management fees of \$17,374 and \$16,747, respectively.

Advisory Management Fees

During 2006 and 2005, INREIT paid \$156,331 and \$137,432 to INREIT Management, LLC for advisory management fees. These fees cover the office facilities, equipment, supplies, and staff required to manage the day-to-day operations of INREIT, and is paid based on 1% of revenue from these facilities.

Acquisition Fees

During 2006 and 2005, INREIT incurred \$431,871 and \$354,473, respectively, to INREIT Management, LLC for acquisition fees. These fees are for performing due diligence on properties acquired from unrelated parties, and are paid on 3% of the purchase price. As of December 31, 2005, INREIT owed the management company \$85,081.

Commissions

During 2006 and 2005, INREIT paid brokerage fees of \$309,418 and \$121,687, respectively, to Roger Domres, or entities owned by Roger Domres, stockholder of INREIT. Brokerage fees are paid based on 4% of UPREIT units and 8% of INREIT units sold. During 2006 and 2005, INREIT paid marketing fees of \$124,972 and \$38,921, respectively, to Huntington Securities Corporation, an entity owned by Roger Domres. As of December 31, 2006, a commission payable of \$211,863 was owed to Roger Domres.

Director Fees

INREIT paid director fees of \$19,500 and \$13,328 in 2006 and 2005, respectively.

Rental Income

During 2006 and 2005, INREIT received rental income of \$1,030,639 and \$752,221 under various lease agreements to Edgewood Vista Senior Living, Inc., an entity affiliated with Philip Gisi, a member of the Board of Trustees.

Purchases

During 2006, INREIT purchased a 12-unit facility for Alzheimer's care for a purchase price of \$1,100,000 and a tract of land located in Grand Forks, North Dakota for a purchase price of \$540,000 from an entity affiliated with Philip Gisi.

During 2005, INREIT purchased three 12-unit facilities for Alzheimer's care for a total purchase price of \$3,225,000 and the remaining ownership interest in Minot Vista Properties, LLC \$1,100,000 from an entity affiliated with Philip Gisi.

NOTE 9 - RENTALS UNDER OPERATING LEASES / RENTAL INCOME

Commercial space is rented under long-term lease agreements. Minimum future rentals on noncancelable operating leases as of December 31 are as follows:

Years ending December 31,	Amount
2007	\$ 3,788,911
2008	4,325,652
2009	4,348,686
2010	4,196,884
2011	3,745,700
Thereafter	20,619,837
	\$ 41,025,670

Residential apartment units are rented to individual tenants with lease terms up to one year. Gross revenues from residential rentals totaled \$1,559,466 and \$1,586,380 for the years ended December 31, 2006 and 2005, respectively.

For the years ended December 31, 2006 and 2005, gross revenues from commercial property rentals, including CAM (common area maintenance) income of \$576,640 and \$449,231, respectively, totaled \$3,564,912 and \$2,601,062. Commercial properties are leased to tenants under terms expiring at various dates through 2027. Lease terms often include renewal options.

NOTE 10 - PROPERTY MANAGEMENT FEES

INREIT has entered into various management agreements with unrelated management companies. The agreements provide for INREIT to pay management fees based on a percentage of rental income (4 to 5%), a set fee per month (\$1,000 - \$2,500 per month), or a fee per rented unit (\$32 per rented unit). During 2006 and 2005, INREIT incurred property management fees of \$188,004 and \$225,041, respectively, to unrelated management companies.

During 2006 and 2005, INREIT incurred management fees of 5% of rents to INREIT Management, LLC; a related party (Note 8).

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Environmental Matters

Federal law (and the laws of some states in which INREIT may acquire properties) imposes liability on a landowner for the presence on the premises of hazardous substances or wastes (as defined by present and future federal and state laws and regulations). This liability is without regard to fault or knowledge of the presence of such substances and may be imposed jointly and severally upon all succeeding landowners. If such hazardous substance is discovered on a property acquired by INREIT, INREIT could incur liability for the removal of the substances and the cleanup of the property. There can be no assurance that INREIT would have effective remedies against prior owners of the property. In addition, INREIT may be liable to tenants and may find it difficult or impossible to sell the property either prior to or following such a cleanup.

Risk of Uninsured Property Losses

INREIT intends to maintain what it believes to be adequate property damage, fire loss, and liability insurance. However, there are certain types of losses (generally of a catastrophic nature), which may be either uninsurable or not economically insurable. Such excluded risks may include war, earthquakes, tornados, certain environmental hazards, and floods. Should such events occur, (i) the INREIT might suffer a loss of capital invested, (ii) tenants may suffer losses and may be unable to pay rent for the spaces, and (iii) the trust may suffer a loss of profits which might be anticipated from one or more properties.

Construction in Progress

As of December 31, 2006, construction was in progress on WestPointe Center, a retail complex in Fargo, North Dakota. Total construction of the complex is expected to be approximately \$2,461,000. As of December 31, 2006, costs of \$2,211,000 had been completed. The construction is being financed with a construction loan through Bremer Bank (\$2,900,000 available).

During 2006, INREIT purchased a 75,000 square foot commercial building in Fargo, North Dakota. INREIT began fit-up construction in 2007 with total fit up costs expected to be approximately \$2,000,000. It is expected that INREIT will finance the construction with the proceeds from a mortgage note payable not yet obtained.

Tenant in Common Ownership

As a tenant in common, INREIT owns their respective share of the assets of the properties as well as being liable for their respective share of the debts. INREIT owned the following properties as a tenant in common.

INREIT Properties, LLLP is the 100% owner of Grand Forks Inreit, LLC, which owns a 1/3 interest as a tenant in common of Grand Forks Marketplace Retail Center. INREIT Properties, LLLP is also the 50% owner of Marketplace Investors, LLC, which owns a 1/3 interest as a tenant in common of Grand Forks Marketplace Retail Center. Grand Forks Marketplace Retail Center has approximately 183,000 square feet of commercial space in Grand Forks, North Dakota. The property is encumbered by a non-recourse first mortgage with Key Bank Real Estate Capital with a balance at December 31, 2006 of \$13,180,875. As of December 31, 2006, INREIT owed \$6,590,438 for their respective share of the balance.

INREIT Properties, LLLP owns a 2/3 interest as a tenant in common of a commercial building with approximately 75,000 square feet of rental space in Fargo, North Dakota. The property is encumbered by a first mortgage with Wells Fargo bank with a balance at December 31, 2006 in the amount of \$2,316,609 (\$5,500,000 available to be drawn). As of December 31, 2006, INREIT owed \$1,544,426 for their respective share of the balance. INREIT along with the other tenant in common is jointly liable for the entire balance.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year-end, INREIT purchased a tract of land located in Bismarck, North Dakota for approximately \$1,000,000. INREIT owns a 75,000 square foot office building located on the land. The purchase was financed primarily with cash and borrowings under INREIT's line of credit (Note 5).

Subsequent to year-end, INREIT purchased the Social Security building in St. Cloud, Minnesota for approximately \$2,800,000. The purchase was financed with a Bremer Bank loan in the amount of \$1,800,000.

Subsequent to year-end, INREIT purchased a 36 unit apartment complex in Fargo, North Dakota for approximately \$1,460,000. The purchase was financed with a \$480,000 loan from Gate City Bank and the issuance of limited partnership units in INREIT Properties, LLLP for the remainder.

Subsequent to year-end, INREIT purchased the remaining 50% interest in a 75,000 square foot office building in Bismarck, North Dakota (Note 1) for approximately \$3,230,000. The purchase was financed by the issuance of limited partnership units in INREIT Properties, LLLP.

Subsequent to year-end, INREIT paid a dividend of \$0.17875 cents per share for shareholders of record as of March 31, 2007. The declared date of the dividends was January 31, 2007.

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