

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934  
For the Quarterly Period Ended June 30, 1996

or

Transition Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934  
For the Transition Period from  
-----to-----

Commission File Number 0-20047

I.R.S. Employer Identification Number 41-1691930

Royale Investments, Inc.

3430 List Place  
Minneapolis, MN 55416  
Telephone: (612) 920-4078

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes  No

The number of shares outstanding of the Registrant's stock as of August 10, 1996 was:

1,420,000 Shares of Common Stock Outstanding

<TABLE>

Royale Investments, Inc.  
BALANCE SHEETS

<CAPTION>

	June 30, 1996 (Unaudited)	Dec. 31, 1995
ASSETS		
REAL ESTATE INVESTMENTS:		
<S>	<C>	<C>
Property subject to operating leases	\$25,027,358	\$25,027,358
Less: accumulated depreciation	1,680,234	1,403,020
	23,347,124	23,624,338
CASH AND CASH EQUIVALENTS	184,031	257,970
MARKETABLE SECURITIES	530,091	580,121
OTHER ASSETS	369,056	316,944
	\$24,430,302	\$24,779,373

</TABLE>

<TABLE>

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

<S>	<C>	<C>
Mortgage notes payable	\$14,787,795	\$14,915,643
Dividends payable	177,500	177,500
Accounts payable and other liabilities	106,581	97,922

STOCKHOLDERS' EQUITY:	15,071,876	15,191,065
Common stock - \$.01 par value		
Authorized - 50,000,000 shares		
Issued - 1,420,000 shares	14,200	14,200
Additional paid-in capital	12,353,398	12,353,398
Distributions in excess of accumulated earnings	(3,009,172)	(2,779,290)
	9,358,426	9,588,308
	\$24,430,302	\$24,779,373

</TABLE>  
<TABLE>

Royale Investments, Inc.  
STATEMENTS OF INCOME  
(Unaudited)

<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
INCOME:				
<S>	<C>	<C>	<C>	<C>
Rental income	\$616,616	\$609,045	\$1,227,662	\$1,218,091
Interest income	7,912	14,736	17,262	25,672
	624,528	623,781	1,244,924	1,243,763
EXPENSES:				
Operations and management	101,701	98,652	189,883	180,933
Mortgage and other interest	312,280	309,091	625,871	635,494
Depreciation and amortization	141,771	142,050	283,541	284,100
Administrative and general	4,710	4,175	20,511	20,202
	560,462	553,968	1,119,806	1,120,729
NET INCOME	\$ 64,066	\$ 69,813	\$ 125,118	\$ 123,034
PER COMMON SHARE:				
Net income	\$.05	\$.05	\$.09	\$.09
Dividends declared	\$.13	\$.13	\$.25	\$.25
Weighted average number of shares outstanding	1,420,000	1,420,000	1,420,000	1,420,000

FUNDS FROM OPERATIONS PER SHARE	\$202,673	\$208,420	\$402,332	\$400,248
	\$.14	\$.15	\$.28	\$.28

</TABLE>  
<TABLE>

Royale Investments, Inc.  
STATEMENTS OF CASH FLOWS  
(Unaudited)

<CAPTION>

	Six Months Ended June 30,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net income	\$ 125,118	\$ 123,034
Adjustments to reconcile net income to net cash		

provided by operating activities:		
Depreciation and amortization	283,541	284,100
Amortization of marketable securities	(13,698)	
Changes in operating assets and liabilities:		
Increase in receivables	(55,876)	
(Increase) decrease in other assets	(2,562)	26,735
Increase (decrease) in accounts payable and other liabilities	8,658	(57,077)
Net cash provided by operating activities	345,181	376,792
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of marketable securities	588,000	
Purchase of marketable securities	(524,272)	-
Net cash provided by investing activities	63,728	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage loans	(127,848)	(117,941)
Dividends paid	(355,000)	(479,250)
Net cash (used) by financing activities	(482,848)	(597,191)
NET DECREASE IN CASH	(73,939)	(220,399)
CASH AND CASH EQUIVALENTS:		
Beginning of period	257,970	1,130,864
End of period	\$ 184,031	\$ 910,465
Supplementary data:		
Income taxes paid	\$3,125	\$2,992
Interest paid	\$626,514	\$642,289

</TABLE>

Royale Investments, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1996

Note 1 - Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 1996, should not be considered indicative of the results that may be expected for the year ended December 31, 1996. The accompanying financial statements and footnotes thereto should be read in conjunction with the company's annual report on Form 10-KSB for the year ended December 31, 1995.

ROYALE INVESTMENTS, INC.  
ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATION

Results of Operations

During the six month periods ended June 30, 1996 and 1995, the Company owned and leased seven properties to operators of retail food stores.

Revenues for the second quarter and for the six months ended June 30, 1996, increased slightly over the comparable periods of 1995 due to an increase in rent income from the Minneapolis Cub store, but was offset by a decrease in interest income.

Expenses in 1996 were generally consistent with 1995 and with management's expectations. Net income decreased by \$6,000 for the second quarter of 1996 compared to the second quarter of 1995, but increased \$2,000 for the comparable six month periods ended June 30, 1996 and 1995. This was the result of timing differences in recording expenses.

The Company considers Funds from operations ("FFO") in evaluating property acquisitions and its operating performance, and believes that FFO should be considered along with net income and cash flows as a measure of the Company's operating performance and liquidity. Since depreciation expense was consistent in 1996 and 1995, and is the only adjustment that the Company makes to net income in arriving at FFO, the resulting changes of (\$6,000) for the second quarter, and \$2,000 for the six months ended June 30, 1996, were the same as net income for each of the comparable periods, as previously discussed.

#### Liquidity and Capital Resources

The Company's properties are all leased on a triple-net basis, which places the risk of rising operating and maintenance costs on the tenant. The leases generally provide that the tenant is also responsible for roof and structural repairs. Hence, the Company's only demand for funds has been for the payment of operating expenses, dividends and mortgage payments. Property acquisitions have been funded by equity offerings and mortgage borrowings.

Net cash provided by operating activities totaled \$345,000 and \$377,000 for the six months ended June 30, 1996 and 1995, respectively. As discussed previously, net income and FFO were generally consistent in the two periods. Therefore, the decrease was the result of changes in operating assets and liabilities arising from timing differences in receipts and disbursements. The Company considers its liquidity and ability to generate cash to be sufficient to meet its operating and distribution requirements for 1996.

The Company invests in short-term treasury securities from time to time, and investing activities reflect those transactions.

Net cash used in financing activities totaled \$483,000 and \$597,000 for the six months ended June 30, 1996 and 1995, respectively, including dividends paid to shareholders.

The Company declared a dividend of \$177,500, or \$.125 per share, on June 17, 1996, payable to shareholders of record on July 1, 1996. The dividend was paid on July 15, 1996.

## PART II

### OTHER INFORMATION

#### Item 4. Submission of Matters to a Vote of Security Holders

On May 20, 1996, the Company held its Annual Shareholders Meeting. The following matters were voted upon at the meeting:

The election of six directors to serve until the next annual meeting and until their successors are elected and qualified. The results of the election appear below:

Name	Votes for	Votes Against or withheld	Abstentions and broker non-votes
Vernon R. Beck	1,241,831	24,716	153,453
John Parsinen	1,236,466	30,081	153,453
Orvin J. Hall	1,242,466	24,081	153,453
Kurt Schoenrock	1,242,466	24,081	153,453
Kenneth D. Wethe	1,242,466	24,081	153,453
Allen C. Gehrke	1,242,466	24,081	153,453

No other matters were voted upon at the meeting.

#### Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits filed with Form 10-QSB  
Exhibit 27. Financial Data Schedule
- b) No reports filed on Form 8-K for the quarter ended June 30, 1996.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 14, 1996

ROYALE INVESTMENTS, INC.

By: \_\_\_\_\_  
Vernon R. Beck  
Chief Executive Officer

By: \_\_\_\_\_  
Kenneth R. Neubauer  
Chief Financial Officer

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