

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 September 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 November 11, 1996 was:

1,420,000 Shares of Common Stock

<TABLE>

Royale Investments, Inc.  
BALANCE SHEETS

<CAPTION>

	Sept. 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	1,818,840	1,403,020
	23,208,518	23,624,338
CASH AND CASH EQUIVALENTS	143,799	257,970
MARKETABLE SECURITIES	537,235	580,121
OTHER ASSETS	362,150	316,944
	\$24,251,702	\$24,779,373

</TABLE>

<TABLE>

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

<S>	<C>	<C>
Mortgage notes payable	\$14,718,451	\$14,915,643
Dividends payable	177,500	177,500

Accounts payable and other liabilities	86,023	97,922
	14,981,974	15,191,065
STOCKHOLDERS' EQUITY:		
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	(3,097,870)	(2,779,290)
	9,269,728	9,588,308
	\$24,251,702	\$24,779,373

</TABLE>  
<TABLE>

Royale Investments, Inc.  
STATEMENTS OF INCOME  
(Unaudited)

<CAPTION>

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1996	1995	1996	1995
INCOME:				
<S>	<C>	<C>	<C>	<C>
Rental income	\$616,525	\$609,045	\$1,844,187	\$1,827,136
Interest income	7,858	11,392	25,120	37,065
	624,383	620,437	1,869,307	1,864,201
EXPENSES:				
Operations and management	79,153	80,832	269,276	261,765
Mortgage and other interest	310,941	316,135	936,812	951,630
Depreciation and amortization	141,771	141,610	425,312	425,710
Administrative and general	3,715	7,034	23,987	27,236
	535,580	545,611	1,655,387	1,666,341
NET INCOME	\$ 88,803	\$ 74,826	\$ 213,920	\$ 197,860
PER COMMON SHARE:				
Net income	\$.06	\$.05	\$.15	\$.14
Dividends declared	\$.13	\$.13	\$.38	\$.38
Weighted average number of shares outstanding	1,420,000	1,420,000	1,420,000	1,420,000

FUNDS FROM OPERATIONS	\$227,410	\$213,433	\$629,741	\$613,681
PER SHARE	\$.16	\$.15	\$.44	\$.43

</TABLE>  
<TABLE>

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

<CAPTION>

	Nine Months Ended Sept 30,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net income	\$ 213,920	\$ 197,860

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	425,312	425,710
Amortization of marketable securities	(20,842)	-
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(54,697)	12,102
Decrease in accounts payable and other liabilities	(11,899)	(169,536)
Net cash provided by operating activities	551,794	466,136
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:		
Refund of mortgage acquisition costs	-	11,188
Principal payments on mortgage loans	(197,193)	(175,562)
Dividends paid	(532,500)	(532,500)
Net cash (used) by financing activities	(729,693)	(696,874)
NET DECREASE IN CASH	(114,171)	(230,738)
CASH AND CASH EQUIVALENTS:		
Beginning of period	257,970	1,130,864
End of period	\$ 143,799	\$ 900,126

Supplementary data:

Income taxes paid	\$4,542	\$4,542
Interest paid	\$944,952	\$951,247

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Royale Investments, Inc.  
NOTES TO FINANCIAL STATEMENTS  
September 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 nine months ended September 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 nine month periods ended September 30, 1996 and 1995, the Company owned and leased seven properties in five states to operators of retail food stores.

Revenues for the third quarter and for the nine months ended September 30, 1996, increased slightly over the comparable periods of 1995 due to an increase in rent income from the Minneapolis Cub store, which was partially offset by a decrease in interest income.

Expenses in 1996 were generally consistent with 1995 and with management's expectations. Mortgage interest decreased in 1996, and is the primary reason for the increase in net income.

Net income increased to \$89,000 for the third quarter of 1996 versus \$75,000 for the third quarter of 1995, a 19% increase. For the nine months ended September 30, 1996, net income increased 8% to \$214,000 from \$198,000 in the first nine months of 1995.

The Company considers Funds from operations ("FFO") along with net income and cash flows as a measure of the Company's operating performance and liquidity. FFO is essentially net income computed in accordance with generally accepted accounting principles, but excluding depreciation expense and gains (or losses) from the sales of property. For the third quarter of 1996, FFO increased 6.5% to \$227,000 from \$213,000 in 1995. For the nine months ended September 30, 1996, FFO increased to \$630,000 versus \$614,000 for the first nine months of 1995.

#### Liquidity and Capital Resources

The Company's properties are all leased on a triple-net basis, which places the risk of rising property costs, such as maintenance insurance and property taxes, 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 management and administrative expenses, dividends and mortgage payments. Property acquisitions have been funded by equity offerings and mortgage borrowings.

Net cash provided by operating activities totaled \$552,000 and \$466,000 for the nine months ended September 30, 1996 and 1995, respectively. The increase was primarily the result of changes in operating assets and liabilities arising from timing differences in receipts and disbursements from year to year. The Company considers its liquidity to be sufficient to meet its operating and distribution requirements for the remainder of 1996.

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

Net cash used in financing activities totaled \$730,000 and \$697,000 for the nine months ended September 30, 1996 and 1995, respectively, including dividends paid to shareholders. The increase is due primarily to the increase in mortgage amortization.

The Company declared a dividend of \$177,500, or \$.125 per share, on September 24, 1996, payable to shareholders of record on September 30, 1996. The dividend was paid on October 15, 1996.

## PART II

### OTHER INFORMATION

#### 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 September 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: November 14, 1996

ROYALE INVESTMENTS, INC.

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

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

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