H&R REIT TO ACQUIRE ONE-THIRD INTEREST IN SCOTIA PLAZA - ONE OF CANADA'S PREEMINENT OFFICE PROPERTIES

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TORONTO, MAY 22, 2012, H&R Real Estate Investment Trust ("H&R REIT") (TSX: HR.UN; HR.DB; HR.DB.B; HR.DB.C; HR.DB.D; HR.DB.E) today announced that, together with Dundee REIT, it will acquire the iconic Scotia Plaza complex ("Scotia Plaza") in downtown Toronto for a total purchase price of approximately $1.266 billion. Under the arrangements, H&R REIT will own a one-third interest and Dundee REIT will own the remaining two-thirds interest. The sale is expected to close on or about June 20, 2012.

Highlights:

- **Going-in capitalization rate of 5.2%** - The $1.266 billion purchase price reflects an initial 5.2% going-in cap rate with contractual rental escalations thereafter.
- **$650.0 million of 7-year first mortgage bonds to be issued** – To provide partial funding of the purchase price, H&R REIT and Dundee REIT have entered into an underwriting agreement with Scotia Capital Inc. and TD Securities Inc. for $650.0 million of first mortgage bonds (100% interest) with a 7-year term at an effective interest rate that will not exceed 3.45%. H&R REIT expects to fund the remaining purchase price with proceeds from the Bow mortgage bonds or other currently available credit facilities.
- **Outstanding anchor tenant** –Scotiabank, one of North America's premier financial institutions, will lease approximately 61% of Scotia Plaza for an average lease term of 13.5 years. Scotiabank is an AA-rated financial institution.

Thomas Hofstedter, CEO of H&R REIT said: "The unparalleled location, scale, LEED Gold status, and prestigious tenant roster make Scotia Plaza one of Canada's preeminent trophy office buildings. Together with the completion and occupancy of the BOW, the recent acquisitions of Gotham Center (New York), Hess Tower (Houston), and Corus Quay (Toronto), Scotia Plaza continues H&R REIT's strategy of acquiring the highest quality office properties throughout North America."

Investment overview:

H&R REIT will indirectly acquire a one-third interest in Scotia Plaza for a purchase price of approximately $422.2 million, equating to a value of $640 per square foot.

To finance H&R REIT's portion of the acquisition:

- Special purpose subsidiaries of H&R REIT and Dundee REIT have entered into an agreement to create, issue and sell to Scotia Capital Inc. and TD Securities Inc., on an underwritten basis, $650 million aggregate principal amount of 7-year first mortgage bonds, of which one third will be allocated to H&R REIT. The bonds will be issued by way of a private placement and will be secured by a first-ranking charge on Scotia Plaza with interest to be payable semi-annually and a 30-year amortization. The final coupon rate of the bonds will be determined by the underwriters and the issuers at least three business days prior to closing of the acquisition of Scotia Plaza but in any event the maximum rate shall not exceed 3.45%. The mortgage bond has a provisional A-high rating from DBRS. H&R REIT expects to fund the remaining purchase price with proceeds from the Bow mortgage bonds or other currently available credit facilities.

Class "AAA" Property

Located in the heart of Toronto's financial district – the largest office node in Canada, Scotia Plaza comprises approximately 2.0 million square feet of prime office and retail space across four connected buildings. Scotia Plaza is connected to the underground PATH network, providing easy access to major downtown office towers, transportation hubs (the King Street subway station and Union Station) and extensive retail amenities. Scotia Plaza will remain the international headquarters for Scotiabank, one of North America's premier financial institutions and Canada's most international bank.

High Quality, LEED Certified:

Scotia Plaza has been maintained to the highest institutional standards with more than $100 million invested in building improvements and modernizations over the past ten years and has earned a LEED Gold status. In addition, Scotiabank, as vendor, has committed to complete the final stages of a modernization, at its cost, over the next two years.

Exceptional Lease Profile:

The property is 99.5% occupied and has a weighted average lease term of approximately 10.6 years Through various real estate cycles, Scotia Plaza has consistently maintained a high occupancy, attracting the highest quality tenants. The property houses 66 tenants, the four largest being Scotiabank, and three of Canada's most prominent law firms; Borden Ladner Gervais LLP, Cassels Brock & Blackwell LLP and Miller Thomson LLP, which together account for approximately 84% of the total gross leaseable area and approximately 84% of the gross rent. In total, Scotiabank will lease approximately 61% of the property for an average lease term of 13.5 years and account for approximately 61% of gross rent.

The current weighted average in-place office rent is approximately $31.45 per square foot, approximately 10% below estimated current market rates.

About H&R REIT

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 40 office, 117 industrial, 133 retail properties comprising over 43 million square feet, and 3 development projects with a total value of approximately $9.1 billion. H&R REIT strives to lease its properties long term to creditworthy tenants which is evident of the average lease term of 11 years and roster of investment grade tenants. H&R REIT's senior unsecured debentures are rated BBB with a stable outlook by DBRS.

Forward-looking Statements

Certain information in this news release contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements relating to the objectives of H&R REIT, strategies to achieve those objectives, H&R REIT's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts including, in particular, H&R REIT's expectation regarding future developments in connection with and financial impact of *The Bow*, and the amount of actual distributions to unitholders notwithstanding the trustees adoption of a distribution policy. Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect H&R REIT's current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on H&R REIT's estimates and assumptions that are subject to risk and uncertainties, including those discussed in H&R REIT's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of H&R REIT to differ materially from the forward-looking statements contained in this news release. Those risks and uncertainties include, among other things, risks related to: prices and market value of securities of H&R REIT; availability of cash for distributions; development and financing relating to *The Bow* development; restrictions pursuant to the terms of indebtedness; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; dilution; lease rollover risk; construction risks; currency risk; unitholder liability; co-ownership interest in properties; competition for real property investments; environmental matters; reliance on one corporation for management of substantially all H&R REIT's properties; and changes in legislation and indebtedness of H&R REIT. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is stable; local real estate conditions are stable; interest rates are relatively stable; and equity and debt markets continue to provide access to capital. H&R REIT cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this news release are based upon what H&R REIT believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this news release are qualified by these cautionary statements. These forward-looking statements are made as of today, and H&R REIT, except as required by applicable law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

Additional information regarding H&R REIT is available at www.hr-reit.com and on www.sedar.com. For more information, please contact Larry Froom, Chief Financial Officer, H&R REIT, 416-635-7520, or e-mail info@hr-reit.com.