H&R Reports Solid Results for Q2 2014

Toronto, Ontario, August 14, 2014 - H&R Real Estate Investment Trust ("H&R REIT" or the "REIT") and H&R Finance Trust (collectively, "H&R") (TSX: HR.UN; HR.DB.D; HR.DB.E and HR.DB.H) today announced its financial results for the six months ended June 30, 2014.

Summary of Significant Q2 2014 Activity

Long Island City Project

In June 2014, the REIT purchased a 50% interest to develop a landmark luxury residential rental development (the "Long Island City Project") in Long Island City, NY. Tishman Speyer, a U.S. real estate company, will act as the developer and manager of the Long Island City Project. The parcel is zoned for 1.2 million square feet of mixed-used development, potentially accommodating up to approximately 1,600 residential rental units and approximately 30,000 square feet of retail space developed in three phases. The site is located adjacent to the REIT's 2 Gotham Center office property. In the initial phase, the REIT and Tishman Speyer plan to construct a 42-storey tower, which will include 700 rental apartment units. Construction is expected to begin in 2015 with occupancy expected to commence in 2017. The REIT's share of the total land cost is U.S. $55.6 million which was at a substantial discount to appraised value. The total Long Island City Project cost of all phases at the 100% level is expected to be approximately U.S. $875 million.

Primaris Portfolio Dispositions

In Q2 2014, the REIT sold a 50% non-managing interest in three enclosed shopping centres: Regent Mall in Fredericton, NB; McAllister Place in Saint John, NB; and Grant Park in Winnipeg, MB for a total price of $219.0 million, at a capitalization rate of 5.6% before property management fee income. The purchaser assumed 50% of the existing mortgages. Net proceeds were approximately $111.6 million. This transaction, as well as the sale of a 50% non-managing interest in Place d'Orleans in Orleans, ON in 2013, further leverages the Primaris management platform to act as both owners and third party managers of regional shopping centres.

H&R Portfolio Dispositions

In June 2014, the REIT sold a 50% non-managing interest in 3777 Kingsway St. in Burnaby, B.C., a 686,170 square foot office property, for $86.5 million, at a capitalization rate of 6.2% before property management fee income. The purchaser assumed 50% of the existing mortgage. Net proceeds were approximately $31.0 million.

In June 2014, the REIT sold two industrial properties in Calgary, AB with an aggregate square footage of 228,400 for $39.4 million at a capitalization rate of 6.4%. The REIT had purchased these properties in March 2002 for $20.2 million. Prior to the closing of this sale, the REIT transferred the two first mortgages on these properties to two other properties within the REIT's portfolio.

In May 2014, the REIT also sold 115 Belfield Rd., a 47,990 square foot industrial building in Toronto, ON for $3.4 million.

Development of Airport Road Project

The development of the 740,000 square foot state-of-the-art, built-to-suit distribution centre on the Airport Road lands in Mississauga, ON, is ahead of schedule, and is expected to be substantially completed by the end of September 2014. Unilever Canada Inc. has agreed to lease the property for 10 years providing the REIT with an anticipated 7% return on capital invested before financing.

Mortgage Financing and Unencumbered Pool

In June 2014, the REIT repaid two mortgages totalling $13.6 million which were bearing interest at a weighted average interest rate of 5.8%. As at June 30, 2014, excluding equity accounted investments, the REIT has 48 unencumbered properties with a fair value of approximately $1.3 billion. Also, due to the REIT's 18 year history and management's conservative strategy of securing long-term financing on individual properties, the REIT has numerous other properties with very low loan to value ratios. As at June 30, 2014, the REIT has 25 properties valued at approximately $1.6 billion which are encumbered with mortgages totaling $380.2 million. In this pool of assets, the average loan to value is 23.3%, the maximum loan to value is 28.8% and the minimum loan to value is 8.8%. These mortgages have a weighted average remaining term to maturity of 5.4 years. The unencumbered pool of properties is therefore expected to grow substantially over the next five years.

Operating Highlights

H&R REIT's average remaining term to maturity as at June 30, 2014 was 10.0 years for leases and 6.5 years for outstanding mortgages. As at June 30, 2014, the ratio of H&R's debt to total assets was 48.0% compared to 49.2% as at December 31, 2013.

Financial Highlights

The following table includes non-Generally Accepted Accounting Principles ("GAAP") information that should not be construed as an alternative to comprehensive income (loss) or cash provided by operations and may not be comparable to similar measures presented by other issuers as there is no standardized meaning of Funds from Operations ("FFO") under GAAP. Management believes that these are meaningful measures of operating performance. Readers are encouraged to refer to H&R's combined MD&A for further discussion of non-GAAP information presented.

	3 months ended June 30		6 months ended June 30	
	2014	2013	**2014**	2013
Rentals from investment properties (millions)	**$304.9**	$294.1	**$616.8**	$516.7
Property operating income	**$208.6**	$198.9	**$390.2**	$329.8
Net income (millions)	**$37.3**	$189.0	**$150.5**	$321.1
FFO (millions)[(1)]	**$135.2**	$119.5	**$270.4**	$209.5
FFO per Stapled Unit (basic)	**$0.47**	$0.45	**$0.94**	$0.90
FFO per Stapled Unit (diluted)	**$0.46**	$0.44	**$0.93**	$0.87
Cash provided by operations (millions)	**$170.2**	$56.6	**$359.9**	$193.7
Distributions per Stapled Unit	**$0.34**	$0.34	**$0.68**	$0.68
Payout ratio per Stapled Unit (as a % of FFO)	**72.3%**	75.6%	**72.3%**	75.6%

(1) H&R's combined MD&A includes a reconciliation of property operating income to FFO. Readers are encouraged to review the reconciliation in the combined MD&A.

Subsequent Events

Subsequent to June 30, 2014, the REIT repaid two mortgages totalling $92.7 million which were bearing interest at a weighted average interest rate of 6.4%.

In July 2014, the REIT sold 50 Cambridge St., a retail property in Worcester, MA for approximately U.S. $16.0 million.

In August 2014, the REIT has agreed to purchase a 50% managing interest in Kildonan Place, a 454,120 square foot shopping centre in Winnipeg, MB for approximately $69.3 million. Closing is expected to occur in September 2014.

Monthly Distribution Declared

H&R's declared distribution for the month of September is scheduled as follows:

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
September 2014	$0.11250	$1.35	September 12, 2014	September 30, 2014

About H&R REIT and H&R Finance Trust

H&R REIT is Canada's largest diversified real estate investment trust with a total capitalization of approximately $13.1 billion as at June 30, 2014. H&R REIT is a fully internalized REIT and has ownership interests in a North American portfolio of high quality office, retail and industrial properties comprising over 54 million square feet.

H&R Finance Trust is an unincorporated investment trust, which primarily invests in notes issued by a U.S. corporation which is a subsidiary of H&R REIT. The current note receivable balance is U.S. $219.8 million. In 2008, H&R REIT completed an internal reorganization which resulted in each issued and outstanding H&R REIT unit trading together with a unit of H&R Finance Trust as a "Stapled Unit" on the Toronto Stock Exchange.

Forward-looking Statements

Certain statements in this news release contain 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 and H&R Finance Trust, strategies to achieve those objectives, H&R's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts including, the amount of distributions to unitholders. 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'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's estimates and assumptions that are subject to risks and uncertainties, including those discussed in H&R's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of H&R 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; real property ownership; availability of cash for distributions; development and financing relating to the Airport Road Project, 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; joint arrangements risk; currency risk; unitholder liability; co-ownership interest in properties; competition for real property investments; environmental matters and changes in legislation and indebtedness of H&R. 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 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 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, 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 and H&R Finance Trust 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.