H&R Reports Solid Q2 Results and With Cenovus's Occupancy of the Bow Announces Distribution Increases of 12.5%

Toronto, Ontario, August 14, 2012 - H&R Real Estate Investment Trust ("H&R REIT") and H&R Finance Trust (collectively, "H&R") (TSX: HR.UN; HR.DB.C; HR.DB.D; HR.DB.E) announced their financial results for the second quarter ended June 30, 2012.

Operating Highlights

H&R REIT's operating strategy is to stabilize annual earnings and minimize market risk by leasing and financing its properties on a long-term basis. As a result, the average remaining term to maturity as at June 30, 2012 was 11.6 years for leases and 8.0 years for outstanding mortgages. Occupancy at June 30, 2012 was 98%, down slightly from the 98.9% at June 30, 2011. Leases representing only 1.6% of total rentable area will expire during the remainder of 2012. As at June 30, 2012, the ratio of H&R's debt to fair market value was 54.1% compared to 53.6% as at December 31, 2011. H&R's debt excluding convertible debentures to fair market value ratio was 50.3% compared to 47.0% as at December 31, 2011.

Capital Transaction Highlights

During the second quarter 2012:

- H&R REIT acquired a one-third interest in the iconic Scotia Plaza Complex ("Scotia Plaza") in downtown Toronto for a total purchase price of approximately $422.2 million. This state-of-the-art LEED Gold office building was purchased at a capitalization rate of 5.2%, with the Bank of Nova Scotia as the anchor tenant leasing approximately 61% of Scotia Plaza for an average lease term of 13.5 years. H&R REIT partially funded this acquisition by issuing $216.7 million of first mortgage bonds at an interest rate of 3.21% for a 7-year term; and
- H&R REIT issued two series of first mortgage bonds secured by the Bow development in Calgary, Alberta comprised of: a) $250.0 million, 9-year term (maturing June 14, 2021), semi-annual interest only bonds with an interest rate of 3.69% and b) $250.0 million, 10-year term (maturing June 14, 2022), semi-annual 30 year amortizing bonds with an interest rate of 3.69%. H&R REIT used a portion of the proceeds for the acquisition of Scotia Plaza and used the remaining proceeds to repay bank indebtedness and fund the redemption of certain debentures.

Development Highlights

H&R REIT is currently developing the Bow in Calgary, AB. The Bow is a 2-million square foot head office complex, pre-leased on a triple net basis, to Encana Corporation for a term of 25 years. The North Block budget is currently $1.67 billion leaving approximately $87.4 million remaining to be spent. The first two tranches (floors 3 to 22) were delivered to Encana Corporation on May 2, 2012. Delivery of further tranches will occur throughout 2012. Encana Corporation is entitled to a 60-day rent free fixturing period and a rent credit equal to the delay penalty estimated to be $31.0 million in respect to all of the tranches. This rent free period combined with the interest expense that will no longer be capitalized, as tranches of the project become available for their intended use, will result in an estimated funds from operations ("FFO")(1) gain of $3.6 million and an adjusted funds from operations (("AFFO")(1) loss of $32.9 million) in 2012 as shown in the table below.

In Millions	Actual Q2 2012	Estimate Q3 2012	Q4 2012	Total 2012	Q1 2013	Q2 2013
Basic rent	$ -	$ -	$ -	$ -	$9.8	$23.4
Straight-lining of contractual rent	5.7	10.7	20.1	36.5	14.9	1.9
Interest no longer capitalized	(3.6)	(9.1)	(13.6)	(26.3)	(15.5)	(15.5)
Mortgage interest	(0.5)	(2.2)	(3.9)	(6.6)	(4.6)	(4.6)
Depreciation	(1.6)	(4.7)	(8.4)	(14.7)	(10.2)	(10.2)
Expected Bow FFO(1)	1.6	(0.6)	2.6	3.6	4.6	5.2
Expected Bow AFFO(1)	(4.1)	(11.3)	(17.5)	(32.9)	(10.3)	3.3

(1) H&R's combined MD&A includes reconciliations of: net income (loss) to FFO; FFO to AFFO; and AFFO to cash provided by operations. Readers are encouraged to review such reconciliations in the combined MD&A.

Upon full occupancy, the Bow is expected to generate approximately $93.5 million of net operating income on an annualized basis and H&R REIT will have additional annual interest expense, due to interest expense no longer being capitalized to the project, of approximately $62.0 million. Rent escalations will be at 0.75% per annum on the office space and 1.5% per annum on the parking income for the full 25-year term.

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 FFO, and AFFO 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	
	2012	2011	2012	2011
Rentals from investment properties (millions)	$204.7	$155.9	$390.9	$309.2
Net income (loss) (millions)	$13.9	$9.1	$30.6	($22.2)
FFO (millions) (1)	$92.9	$58.2	$165.3	$133.9
FFO per Stapled Unit (basic)	$0.50	$0.37	$0.90	$0.87
AFFO (millions) (1)	$68.6	$57.8	$139.8	$114.4
AFFO per Stapled Unit (basic)	$0.37	$0.37	$0.76	$0.74
Cash provided by operations (millions)	$113.9	$101.8	$257.1	$196.4
Cash distributions paid (millions) (2)	$40.1	$29.2	$76.6	$56.6
Distributions per Stapled Unit	$0.29	$0.24	$0.56	$0.46

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(2) Cash distributions paid exclude distributions reinvested in units pursuant to H&R's unitholder distribution reinvestment plan and include the distributions paid to the Class B Limited Partnership unitholders who can exchange their units for Stapled Units.

Under International Financial Reporting Standards at each reporting period, H&R REIT fair values its convertible debentures and exchangeable units using closing market prices. This is shown as loss on change in fair value. Also included in the loss on change in fair value is the net loss on derivative instruments. The total loss on change in fair value was $22.3 million for the three months ended June 30, 2012 (2011 - $4.2 million) and $17.6 million for the six months ended June 30, 2012 (2011 - $61.2 million). For the three months ended June 30, 2012, there was a gain (loss) on extinguishment of debt of $10.6 million (2011 - ($0.2 million)) and for the six months ended June 30, 2012, there was a gain on extinguishment of debt of $10.6 million (2011 - $14.6 million). Excluding the loss on change in fair value and the gain (loss) on extinguishment of debt, net income (loss) would have been $25.6 million for the three months ended June 30, 2012 (2011 - $13.5 million) and $37.6 million for the six months ended June 30, 2012 (2011 - $24.4 million).

Included in AFFO were actual capital and tenant expenditures of $8.5 million for the three months ended June 30, 2012 (2011 - $2.6 million) and $10.7 million for the six months ended June 30, 2012 (2011 - $8.2 million). The effect of the Bow's first tranche having a rent free period, together with a greater interest expense, resulted in a $4.1 million loss in AFFO for the three and six months ended June 30, 2012. Excluding these capital and tenant expenditures and the impact of the Bow's results, AFFO would have been $81.2 million, $0.43 per Stapled Unit for the three months ended June 30, 2012 (2011 - $60.4 million, $0.39 per Stapled Unit) and $154.6 million, $0.84 per Stapled Unit for the six months ended June 30, 2012 (2011 - $122.6 million, $0.80 per Stapled Unit).

Subsequent to June 30, 2012, H&R REIT:

- redeemed all of its remaining outstanding 6.65% 2013 Convertible Debentures for a total cash payment of $29.8 million;
- redeemed all of its remaining outstanding 6.75% 2014 Convertible Debentures for a total cash payment of $1.3 million;
- sold one industrial property in Ontario for gross proceeds of $10.0 million;
- refinanced one Canadian mortgage totaling $129.6 million bearing interest at a rate of 6.93%, with one new mortgage totaling $200.0 million bearing interest at a rate of 4.0% for a 10-year term; and
- purchased a grocery anchored retail portfolio of five properties totaling 340,742 square feet in Florida for an aggregate purchase price of U.S. $55.5 million and a capitalization rate of 6.75%. H&R REIT has secured a U.S. $36.1 million mortgage commitment for these properties at an interest rate of 3.35% for a 7-year term. The portfolio consists of the following properties:

Property Address	Anchor	Square Feet	Occupancy
840 A1A North, Ponte Vedra Beach, FL	The Fresh Market	52,959	89.5%
11406 San Jose Boulevard, Jacksonville, FL	Publix	56,700	97.2%
125 East Merritt Island Causeway, Merritt Island, FL	Publix	91,915	91.0%
1850 Ridgewood Avenue, Holly Hill, FL	Publix	57,870	97.8%
17445 U.S. Highway 192, Clermont, FL	Publix	81,298	93.8%

Distribution Increases:
Consistent with H&R's positive outlook and Cenovus's occupancy of the Bow, the trustees have adopted an updated distribution policy to replace the distribution policy previously announced in February 2011. Under the updated policy, it is intended that distributions increase 4.2% in October 2012 to $1.25 per Stapled Unit on an annualized basis (consistent with the previous policy) and that distributions increase a further 8% to $1.35 per Stapled Unit on an annualized basis commencing January 2013. This equates to a 12.5% increase from the current distribution.

About H&R REIT and H&R Finance Trust
H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 41 office, 117 industrial, 138 retail properties comprising over 44 million square feet, and 3 development projects with a fair value of approximately $10.0 billion. The foundation of H&R REIT's success since inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. H&R REIT leases its properties long term to creditworthy tenants and strives to match those leases with primarily long-term, fixed-rate financing.

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 is $158.6 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 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 and H&R Finance Trust, strategies to achieve those objectives, H&R'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'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

risk 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; 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. 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.

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