H&R Announces 10% Growth in FFO Per Unit for Q3 2013

Toronto, Ontario, November 14, 2013 - 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 their financial results for the quarter ended September 30, 2013.

Capital Transaction Highlights

- In September 2013, the REIT completed its agreement with H&R Property Management Ltd. ("HRPM") to internalize the REIT's property management function effective July 1, 2013. On closing, a wholly-owned subsidiary of the REIT, H&R REIT Management Services LP ("HRRMSLP"), acquired HRPM's REIT-related property management business in return for 9.5 million limited partnership units of HRRMSLP, which are exchangeable on a one-for-one basis for Stapled Units. The purchase price associated with the internalization did not utilize existing cash resources of the REIT, and HRPM has agreed to hold the exchangeable units (or Stapled Units upon exchange) for five years, subject to limited exceptions. As a result of the internalization, the REIT saved $5.3 million in management and incentive fees which would otherwise have been payable to HRPM and incurred an additional $1.0 million in property operating costs for the three months ended September 30, 2013.

- In August 2013, the REIT acquired a one-third interest in ECHO Realty LP ("ECHO"), which focuses on developing and owning a core portfolio of grocery anchored shopping centres in the United States. ECHO's retail portfolio is primarily tenanted by Giant Eagle Inc., the leading grocer in the western Pennsylvania and eastern Ohio regions. ECHO's portfolio consists of 171 investment properties, excluding properties under development and vacant land, totaling approximately 7.3 million square feet and is expected to generate, once its existing development projects are completed, in excess of U.S. $84.0 million in net operating income annually, with an average remaining lease term of 12.9 years. The ECHO portfolio value amounts to approximately U.S. $1.2 billion at a weighted average capitalization rate of 7.3%. The REIT acquired ECHO limited partnership units issued from treasury for a total purchase price of approximately U.S. $296.4 million before closing costs. One-third of this purchase price was paid on closing, with a further one-third payable 18 months from closing and the balance payable 30 months from closing. The proceeds from this transaction will be used by ECHO to further expand its retail portfolio by acquiring additional retail properties in the eastern United States. ECHO is accounted for as an equity investment and will be reporting its financial information to the REIT one month in arrears. ECHO's August 2013 results have been included in the REIT's results for the nine months ended September 30, 2013. ECHO's results for August, September, October and November will be reported in H&R's year end combined financial statements and Management Discussion and Analysis ("MD&A").

- During the second quarter of 2013, the REIT acquired 100% of Primaris Retail Real Estate Investment Trust ("Primaris") which consisted of 26 properties valued at $3.1 billion. The acquisition was funded through the issuance of 62.5 million Stapled Units with a value of $1.4 billion and the assumption of Primaris' outstanding mortgages, convertible debentures and bank indebtedness totalling $1.6 billion. In addition, holders of 2.1 million exchangeable units of certain subsidiaries of Primaris received the same number of exchangeable units of subsidiaries of the REIT, each of which is exchangeable for 1.166 Stapled Units. The increased market capitalization relating to the acquisition of Primaris has substantially enhanced liquidity for unitholders. Through this transaction, the REIT has achieved broader diversification by geographic region and tenant base into the enclosed shopping centre asset class at a time when U.S. and international retailers are expanding into Canada. In July 2013, the REIT, through its Primaris platform, acquired Peter Pond Mall, a leading enclosed shopping centre in Fort McMurray, Alberta for $168.5 million, at a capitalization rate of 6.3% (before property management fee income). The REIT also sold a 50% non-managing interest in Place d'Orleans, an enclosed shopping centre in the Ottawa region for $110.6 million, at a capitalization rate of 5.5% before property management fee income. This transaction leverages the Primaris management platform to act as both owners and third party managers of regional shopping centres. The REIT has been pleased with its successful integration of the Primaris portfolio and platform.

Development Highlights

Effective December 31, 2012, the REIT reached practical completion on the construction of the Bow, a two million square foot office building in Calgary, Alberta, which is fully leased to Encana Corporation for a 25-year term. On March 15, 2013, the final floors were delivered to Encana Corporation and the 25-year lease term commenced, which will continue until May 14, 2038. 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. Consistent with the REIT's strategy to secure long-term fixed rate financing, on June 20, 2013, the REIT issued $300.0 million, Series C bonds at an annual rate of 3.797% due June 13, 2023. These bonds rank pari passu to the $250.0 million, 3.690% Series A bonds due June 14, 2021 and the $250.0 million, 3.693% Series B bonds due June 14, 2022, which were both issued on June 14, 2012.

Operating Highlights

H&R REIT's average remaining term to maturity as at September 30, 2013 was 10.4 years for leases and 7.2 years for outstanding mortgages. Occupancy at September 30, 2013 was 98.2%, down slightly from 98.5% at September 30, 2012. Leases representing only 4.3% of total rentable area will expire during the balance of 2013 and 2014. As at September 30, 2013, the ratio of H&R's debt to fair market value of assets was 49.3% compared to 50.3% as at December 31, 2012.

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 September 30		9 months ended September 30	
	2013	2012	**2013**	2012
Rentals from investment properties (millions)	**$305.8**	$200.0	**$822.4**	$582.6
Property operating income	**$201.6**	$135.8	**$545.3**	$397.4
Net income (loss) (millions)	**($112.0)**	$100.7	**$208.3**	$406.2
FFO (millions)(1)(2)	**$129.1**	$78.8	**$338.5**	$243.7
FFO per Stapled Unit (basic)(2)	**$0.45**	$0.41	**$1.35**	$1.31
FFO per Stapled Unit (diluted)(2)	**$0.45**	$0.40	**$1.32**	$1.25
Cash provided by operations (millions)	**$220.0**	$133.4	**$414.4**	$374.8
Cash distributions (millions) (3)	**$69.3**	$40.4	**$186.5**	$113.9
Distributions per Stapled Unit	**$0.33**	$0.30	**$1.01**	$0.86
Payout ratio per Stapled Unit (as a % of FFO)	**73.3%**	73.2%	**74.8%**	65.6%

(1) H&R's combined MD&A includes reconciliations of: net income to FFO; FFO to Adjusted Funds from Operations ("AFFO"); and AFFO to cash provided by operations. Readers are encouraged to review such reconciliations in the combined MD&A.
(2) See below for significant and non-recurring items included in FFO per Stapled Unit.
(3) Cash distributions exclude distributions reinvested in units pursuant to H&R's unitholder distribution reinvestment plan.

Net income (loss) has been reduced for the three and nine months ended September 30, 2013 due to transaction costs relating to the Primaris acquisition and the property management internalization by $198.2 million and $204.8 million, respectively, which were expensed during these periods.

Included in FFO are the following items which can be a source of significant variances between different periods:

	3 months ended September 30		9 months ended September 30	
In millions	**2013**	2012	**2013**	2012
Additional recoveries for capital expenditures	**$3.0**	$3.8	**$7.2**	$8.5
Gain (loss) on extinguishment of debt	**-**	($0.1)	**-**	$10.2
Adjustment to straight-lining of contractual rent	**($0.9)**	($0.3)	**($3.4)**	($0.3)
Sundry income	**$1.5**	($1.3)	**$2.9**	($1.6)

Excluding the above items, FFO would have been $125.5 million for the three months ended September 30, 2013 (Q3 2012 - $76.7 million) and $0.44 per basic Stapled Unit (Q3 2012 - $0.40 per basic Stapled Unit). For the nine months ended September 30, 2013, FFO would have been $331.8 million (nine months ended September 30, 2012 - $226.9 million) and $1.32 per Stapled Unit (nine months ended September 30, 2012 - $1.22 per Stapled Unit).

Subsequent to September 30, 2013, H&R REIT:

- issued, by way of private placement, $235.0 million Series H senior floating rate unsecured debentures maturing on October 9, 2015. The REIT entered into an interest rate swap to fix the interest rate at 2.95% per annum.

- issued, by way of private placement, $60.0 million Series I senior floating rate unsecured debentures maturing on January 23, 2017.

Monthly Distribution Declared

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

	Distribution/Stapled	Annualized	Record date	Distribution date
December 2013	$0.11250	$1.35	December 13, 2013	December 31, 2013

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 42 office, 112 industrial and 164 retail properties comprising over 53 million square feet and 2 development projects, with a fair value of approximately $13 billion. In addition, H&R REIT has a one-third interest in ECHO Realty LP which owns 171 properties, excluding properties under development and vacant land, totalling 7.3 million square feet. 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 for long terms 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. As at September 30, 2013, the 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, and 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, H&R REIT's expectation with respect to Primaris and ECHO's future financial results, risks related to: prices and market value of securities of H&R; availability of cash for distributions; 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 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.