H&R Reports Significant Increase in Q1 2013 FFO

Toronto, Ontario, May 13, 2013 - 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, HR.DB.F and HR.DB.H) announced their financial results for the three months ended March 31, 2013.

Operating Highlights

H&R REIT's average remaining term to maturity as at March 31, 2013 was 11.9 years for leases and 7.5 years for outstanding mortgages. Occupancy at March 31, 2013 was 99.0%, down slightly from 99.1% at March 31, 2012. Leases representing 1.7% of total rentable area will expire during 2013. As at March 31, 2013, the ratio of H&R's debt to fair market value of assets was 49.5% compared to 50.3% as at December 31, 2012. H&R's debt excluding convertible debentures to fair market value of assets ratio was 46.0% compared to 46.9% as at December 31, 2012.

Capital Transaction Highlights

During the first quarter of 2013, H&R REIT sold three Canadian industrial properties and one Canadian office property totalling 427,029 square feet for gross proceeds of approximately $37.5 million; and repaid one Canadian mortgage totalling $69.5 million bearing interest at a rate of 8.16%.

Development Highlights

H&R REIT's new 58-storey, downtown office complex in Calgary's financial district (The "Bow") has recently been recognized as one of the world's most spectacular corporate buildings. Germany-based Emporis, with its internationally renowned database of building and construction project information, formed a jury of building experts to select the world's most dazzling buildings in terms of innovative design, visual impact and function of significant corporate architecture. Among the 16 buildings selected, The Bow is the most recently built and the only Canadian property. The Bow is a two-million-square-foot, Class AAA skyscraper with a unique, energy efficient, bow-shaped building footprint, and three "Sky Garden" common areas with trees. The Emporis Skyscraper Award is the world's most renowned prize for high-rise architecture.

On March 15, 2013, the final floors of The Bow were delivered to Encana Corporation and its 25-year lease term will mature on 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. H&R REIT estimates a further $36.0 million in costs will be incurred to complete this project. As at March 31, 2013, the total cost incurred on the project, including the South Block, amounted to $1.68 billion (December 31, 2012 - $1.67 billion) which includes the costs for the construction of 1,358 underground parking stalls. Encana Corporation was entitled to a 60-day free rent fixturing period and a rent credit equal to the delay penalty of approximately $32.0 million. As at March 31, 2013, this rent credit has been fully utilized by the tenant. This rent free period, combined with the interest expense that was capitalized, resulted in an AFFO loss of $1.7 million in Q1 2013 as shown in the table below. The table below also provides an estimate of FFO and AFFO for the next two quarters in 2013.

	Actual	Estimate (2)(3)	
In Millions	Q1 2013	Q2 2013	Q3 2013
Basic rent	$2.2	$21.9	$23.3
Straight-lining of contractual rent	20.6	3.0	1.9
Interest capitalized	0.5	-	-
Mortgage interest	(4.4)	(4.6)	(4.6)
Expected Bow impact on FFO(1)	18.9	20.3	20.6
Expected Bow impact on AFFO(1)	(1.7)	17.3	18.7

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

(2) This information is being provided so that investors are able to understand the expected impact of the Bow to H&R REIT's operations. This information may not be appropriate for other purposes.

(3) The estimates for Q2 2013 and Q3 2013 supersede the estimates previously provided by H&R REIT.

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 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 March 31	
	2013	2012
Rentals from investment properties (millions)	$222.6	$183.0
Net income (millions)	$132.1	$199.3
FFO (millions)(1)(2)	$90.0	$72.4
FFO per Stapled Unit (basic)(2)	$0.45	$0.40
Cash provided by operations (millions)	$137.1	$140.7
Distributions (millions) (3)	$49.2	$35.1
Distributions per Stapled Unit	$0.34	$0.27

(1) H&R's combined MD&A includes reconciliations of: net income to FFO; FFO to 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 and FFO per Stapled Unit.
(3) Cash distributions exclude distributions reinvested in units pursuant to H&R's unitholder distribution reinvestment plan.

Included in net income is the fair value adjustment on real estate assets which could be subject to large fluctuations. The fair value adjustment on real estate assets was $38.6 million for the three months ended March 31, 2013 (Q1 2012 - $127.0 million).

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

	3 months ended March 31	
In millions	2013	2012
Additional recoveries for capital expenditures	$2.1	$1.0
Incentive fee waived by the Property Manager	$1.1	-
	$3.2	$1.0

Excluding the above items, FFO would have been $86.8 million for the three months ended March 31, 2013 (Q1 2012 - $71.4 million) and $0.43 per basic Stapled Unit (Q1 2012 - $0.40 per basic Stapled Unit).

Subsequent to March 31, 2013, H&R REIT:

- Completed the acquisition of 27 properties from Primaris Retail Real Estate Investment Trust ("Primaris") with a fair value of approximately $3.1 billion, and assumed indebtedness of approximately $1.4 billion of which $339.0 million was subsequently repaid. In relation to this acquisition, H&R REIT and Finance Trust issued approximately 62.5 million Stapled Units for delivery to certain Primaris unitholders, and H&R REIT assumed the 6.75% convertible debentures (the "6.75% Debentures") (remaining aggregate principal amount outstanding is approximately $1.2 million, as of April 4, 2013), 6.30% convertible debentures (the "6.30% Debentures") (remaining aggregate principal amount outstanding is approximately $7.7 million, as of April 4, 2013) and 5.40% convertible debentures (remaining aggregate principal amount outstanding is approximately $75.0 million, as of April 4, 2013) issued by Primaris. On April 8, 2013, H&R REIT issued notices of intent to redeem all the remaining 6.75% Debentures on May 27, 2013 and 6.30% Debentures on May 13, 2013 in accordance with their terms. In connection with the Primaris transaction, holders of approximately 2.1 million exchangeable units of certain subsidiaries of Primaris now hold an equal number of exchangeable units of certain subsidiaries of H&R REIT each of which is exchangeable for 1.166 Stapled Units.

- Sold 1235 Bay St., an office property in Toronto, ON for gross proceeds of approximately $25.0 million.

- Repaid two U.S. mortgages totalling U.S. $22.8 million bearing interest at an average rate of 5.95%.

June's Monthly Distributions Declared
June's declared distribution is scheduled as follows:

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
June 2013	$0.11250	$1.35	June 14, 2013	June 28, 2013

2013 Annual and Special Unitholders' Meeting
H&R will host their Annual and Special Unitholders' meeting this year on Thursday, June 20 at 1:00 pm at the TSX Gallery, 130 King Street West, Toronto, Ontario.

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 40 office, 112 industrial and 163 retail properties comprising over 53 million square feet and 3 development projects, with a fair value of approximately $13 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 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 March 31, 2013, the note receivable balance is U.S. $163.2 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, H&R REIT's expectation in connection with the financial impact of *The Bow* and 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 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, the completion of the acquisition of Primaris, 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; 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.
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