



## H&R Reports Solid Q1 Results and Increases Monthly Distributions

Toronto, Ontario, June 14, 2011 - H&R Real Estate Investment Trust (“H&R REIT”) and H&R Finance Trust (collectively, “H&R”) (TSX: HR.UN; HR.DB; HR.DB.B; HR.DB.C; HR.DB.D) announced its financial results for the first quarter ended March 31, 2011.

### Financial Highlights

The following table includes non-International Financial Reporting Standards (“IFRS”) 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”), and adjusted funds from operations (“AFFO”) under IFRS. 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-IFRS information presented.

	3 months ended March 31	
	2011	2010
Rentals from investment properties (millions)	\$153.3	\$152.6
Net loss	\$31.3	\$57.1
FFO (millions) <sup>(1)</sup>	\$72.1	\$15.8
FFO per Stapled Unit (basic)	\$0.47	\$0.11
AFFO (millions) <sup>(1)</sup>	\$56.6	\$51.1
AFFO per Stapled Unit (basic)	\$0.37	\$0.34
Cash provided by operations (millions)	\$65.5	\$62.7
Cash distributions paid (millions) <sup>(2)</sup>	\$27.5	\$24.8
Distributions per Stapled Unit	\$0.23	\$0.18

<sup>(1)</sup> H&R’s MD&A includes reconciliations of: net earnings to FFO; FFO to AFFO; and AFFO to cash provided by operations. Readers are encouraged to review such reconciliations in the MD&A.

<sup>(2)</sup> Cash distributions paid exclude distributions made by way of issuing further units and include the distributions paid to the Class B Limited Partnership unitholders who can exchange their units for Stapled Units.

Excluding the gain (loss) on extinguishment of debt of \$14.8 million in the first quarter of 2011 ((\$38.8 million) in Q1 2010), FFO would have been \$57.3 million (\$0.38 per Stapled Unit) for the three months ended March 31, 2011 compared to \$54.6 million (\$0.37 per Stapled Unit) for the three months ended March 31, 2010. AFFO per Stapled Unit rose 9% primarily due to property acquisitions over the past 15 months.

As at March 31, 2011, the ratio of H&R’s debt to gross book value (calculated in accordance with H&R REIT’s Declaration of Trust) was 47.6% compared to 47.2% as at December 31, 2010.

### Development Highlights

H&R REIT is currently building “*The Bow*”, a two million square foot landmark office building in Calgary’s downtown financial district. EnCana Corporation is head-leasing the entire office tower and all underground parking spaces on a triple-net basis for an initial term of 25 years including annual contractual escalations. As at March 31, 2011, H&R REIT had incurred approximately \$1.1 billion of the \$1.33-billion budgeted costs (excluding interest costs capitalized for accounting purposes). H&R REIT has effectively locked in 99% of total budgeted costs before contingency and has successfully secured all of the financing required for completion of this trophy office development. Once the Bow is complete, H&R REIT expects that it will generate net annual rent of approximately \$94 million.



### Capital Transaction Highlights

During the first quarter 2011, H&R REIT:

- issued \$180 million of unsecured senior debentures bearing interest at an annual rate of 4.78% due July 27, 2016; and
- acquired two retail properties in the United States with a total leasable area of approximately 160,000 square feet for an aggregate cash purchase price of approximately \$31.6 million. H&R REIT assumed a mortgage of \$6.6 million and expects to earn an initial levered return in excess of 8% per annum.

Subsequent to March 31, 2011, H&R REIT:

- acquired an 80,000 square foot data centre in Lithia Springs, Georgia for a purchase price of U.S. \$60.8 million. The property is leased for 20 years to PricewaterhouseCoopers LLP;
- acquired two industrial properties comprising 232,000 square feet in St. John, New Brunswick and Boucherville, Quebec for a purchase price of \$19.8 million. The properties are leased to Carquest Canada for 20 years and indemnified by General Parts International Inc.;
- together with H&R Finance Trust issued 9,030,000 Stapled Units at a price of \$22.15 per Stapled Unit for gross proceeds of approximately \$200 million; and
- acquired 595 Bay Street, 20 & 40 Dundas Street West and 306 Yonge Street in Toronto, Ontario, which are collectively known as the "Atrium on Bay" for a total purchase price of \$344.8 million. H&R REIT assumed a partial-recourse, \$190 million mortgage having a remaining term to maturity of approximately 6 years.

### Operating Highlights

H&R REIT's operating strategy is to stabilize annual earnings and minimize market risk by leasing and mortgaging its properties on a long-term basis. As a result, the average remaining term to maturity as at March 31, 2011 was 10.8 years for leases and 7.8 years for mortgages payable. Leases representing only 3.6% of total rentable area will expire between April 1, 2011 and the end of 2012.

### Distribution Policy Adopted

H&R previously announced that the trustees have adopted a distribution policy pursuant to which the monthly combined distribution is intended to be increased as shown in the following table:

Distribution Period	Intended Monthly Distribution Per Stapled Unit	Intended Annualized Distribution Per Stapled Unit
Q2 2011 (April, May and June)	\$0.07917	\$0.95
Q3 2011 (July, August and September)	\$0.08333	\$1.00
Q4 2011 (October, November and December)	\$0.08750	\$1.05
Q1 2012 (January, February and March)	\$0.09167	\$1.10
Q2 2012 (April, May and June)	\$0.09583	\$1.15
Q3 2012 (July, August and September)	\$0.10000	\$1.20
Q4 2012 (October, November and December)	\$0.10417	\$1.25

The trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate. As all distributions remain subject to the discretion, approval and declaration by the REIT's trustees, there is no assurance that the actual distributions declared will be as provided in the distribution policy.



### Monthly Distributions Declared

The next declared distributions are scheduled as follows.

	Distribution/stapled unit	Annualized	Record date	Distribution date
June 2011	\$0.07917	\$0.95	June 16, 2011	June 30, 2011
July 2011	\$0.08333	\$1.00	July 15, 2011	July 29, 2011
August 2011	\$0.08333	\$1.00	August 17, 2011	August 31, 2011

### Annual General Meeting

H&R's Annual General Meeting is scheduled for Thursday, June 16<sup>th</sup>, 2011 at 1pm 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 37 office, 120 industrial and 131 retail properties comprising over 40 million square feet, with a net book value of approximately \$5 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 an H&R REIT subsidiary. 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 *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](http://www.hr-reit.com) and on [www.sedar.com](http://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](mailto:info@hr-reit.com).