



## H&R Reports Solid Results for Q1 2014

Toronto, Ontario, May 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 three months ended March 31, 2014.

### Summary of Significant Q1 2014 Activity

#### Assets Held for Sale

The REIT entered into an agreement to sell a 50% non-managing interest in three enclosed shopping centres within the Primaris portfolio: Regent Mall in Fredericton, New Brunswick; McAllister Place in Saint John, New Brunswick; and Grant Park in Winnipeg, Manitoba for a total price of \$219.0 million, at a capitalization rate of 5.6% before property management fee income. The purchaser will be assuming 50% of the existing mortgages. Net proceeds are expected to be approximately \$113.0 million before customary adjustments. This transaction, as well as the sale of a 50% non-managing interest in Place d'Orleans in 2013, further leverages the Primaris management platform to act as both owners and third party managers of regional shopping centres.

The REIT also entered into a conditional agreement to sell a 50% non-managing interest in 3777 Kingsway St. in Burnaby, B.C., a 686,697 square foot office property, for \$86.9 million, at a capitalization rate of 6.2% before property management fee income. The purchaser will be assuming 50% of the existing mortgage. Net proceeds are expected to be approximately \$31.0 million before customary adjustments.

#### 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, Ontario, is on schedule, and is expected to be completed by the end of 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.

#### Acquisitions

The REIT acquired a 65,941 square foot grocery anchored retail plaza in Florida for U.S. \$13.8 million, at a capitalization rate of 6.6% with Publix Supermarkets Inc. as the anchor tenant.

The REIT also acquired a 4.2 acre parcel of land adjacent to its head office in Toronto, Ontario for \$14.3 million.

#### Sale of 1618 Station

In March 2014, the REIT sold 1618 Station St., a 73,197 square foot office building in Vancouver, B.C. for \$30.5 million. The REIT purchased this property in November 2004 for \$20.1 million. As part of the sale, the REIT was obligated to repay the \$11.8 million existing mortgage on the property.

#### Mortgage Refinancing

In March 2014, the REIT refinanced six existing mortgages which had an aggregate outstanding balance of U.S. \$39.7 million. These mortgages had a weighted average interest rate of 5.48% per annum and average remaining term of 8.9 years. These six mortgages, along with three new mortgages on properties that were previously unencumbered, were refinanced for U.S. \$72.9 million at 4.24% per annum for an 8-year term.



### Normal Course Issuer Bid (“NCIB”)

In February 2014, H&R announced its intention to launch a NCIB through the facilities of the TSX to repurchase up to 25 million Stapled Units on the open market. In April 2014, H&R received final acceptance from the TSX to commence the NCIB. To date, H&R has not purchased any Stapled Units.

### Operating Highlights

H&R REIT’s average remaining term to maturity as at March 31, 2014 was 10.1 years for leases and 6.8 years for outstanding mortgages. Occupancy at March 31, 2014 was 97.9%, down slightly from 98.1% at December 31, 2013. Leases representing only 2.8% of total rentable area will expire during the remainder of 2014. As at March 31, 2014, the ratio of H&R’s debt to total assets was 48.9% 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 March 31	
	2014	2013
Rentals from investment properties (millions)	<b>\$311.9</b>	\$222.6
Property operating income	<b>\$181.6</b>	\$130.9
Net income (millions)	<b>\$113.1</b>	\$132.1
FFO (millions) <sup>(1)</sup>	<b>\$135.2</b>	\$90.0
FFO per Stapled Unit (basic)	<b>\$0.47</b>	\$0.45
FFO per Stapled Unit (diluted)	<b>\$0.47</b>	\$0.44
Cash provided by operations (millions)	<b>\$189.7</b>	\$137.1
Distributions (millions) <sup>(2)</sup>	<b>\$70.1</b>	\$49.2
Distributions per Stapled Unit	<b>\$0.34</b>	\$0.34
Payout ratio per Stapled Unit (as a % of FFO)	<b>72.3%</b>	75.6%

<sup>(1)</sup> 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.

<sup>(2)</sup> Distributions exclude distributions reinvested in units pursuant to H&R’s unitholder distribution reinvestment plan as well as distributions on exchangeable units.

The REIT’s adoption of IFRIC 21, *Levies*, has resulted in the property taxes for the REIT’s U.S. properties all being recorded in Q1 for the related year. The impact of the adoption of this policy is a reduction in property operating income of \$21.6 million and \$20.1 million for the three months ended March 31, 2014 and March 31, 2013 respectively. There was no impact to net income as a result of adopting this accounting standard.



## Monthly Distribution Declared

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

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
June 2014	\$0.11250	\$1.35	June 16, 2014	June 30, 2014

## 2014 Annual Unitholders' Meeting

H&R will host its annual and special Unitholders' meeting this year on Thursday, June 19 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 41 office, 112 industrial and 168 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 owns a 33.6% interest in ECHO Realty LP which owns 178 properties, excluding properties under development and vacant land, comprising over 7.4 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 March 31, 2014, 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, risks related to: prices and market value of securities of H&R; real property ownership; 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; 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](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).