H&R Reports Solid Results for Q4 2013 and Announces its Intention to Repurchase up to 25,000,000 Stapled Units

Toronto, Ontario, February 27, 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 their financial results for the year ended December 31, 2013 and further announced that, subject to the approval of the Toronto Stock Exchange (the "TSX"), H&R intends to launch a normal course issuer bid through the facilities of the TSX to repurchase up to 25,000,000 Stapled Units on the open market. As at February 26, 2014, H&R had 270,303,206 outstanding Stapled Units and the maximum number of Stapled Units to be purchased under the bid represents approximately 9.4% of the public float (determined in accordance with the applicable rules of the TSX) of 265,574,442 Stapled Units. H&R will file a notice of intention with the TSX in this regard and may commence purchases for a period of a year after the TSX has accepted the notice of intention.

Purchases of Stapled Units under the normal course issuer bid will be made primarily through the facilities of the TSX in accordance with TSX by-laws, rules and policies. The Stapled Units so purchased will be cancelled. The price paid for any repurchased units will be the market price of such Stapled Units at the time of acquisition.

"Management believes the repurchase of Stapled Units is an appropriate use of H&R's general funds in order to increase unitholder value," said Thomas Hofstedter, President and CEO of H&R. "We are currently exploring the sale and joint venturing of certain assets the proceeds of which may be added to H&R's general funds for use to repurchase Stapled Units under this bid. The normal course issuer bid is a reflection of the confidence we have in the company and the commitment we have to using our balance sheet strength to sustain growth and generate economic value."

2013 Highlights include:

- Internalization of property management.
- Acquisition of a 1/3rd interest in ECHO Realty LP ("ECHO").
- Acquisition of Primaris Retail Real Estate Investment Trust ("Primaris").
- Completion of the Bow and commencement of the 25-year lease with Encana.
- Issuance of the final tranche of Bond Financing on the Bow.
- Construction launch of a 740,000 square foot distribution centre, fully pre-leased to Unilever Canada Inc. ("Unilever").
- 8% increase in funds from operations ("FFO") per stapled Unit (excluding 2012's $10.2 million gain on extinguishment of debt).
- 14% increase in distributions per Stapled Unit.
- Reduction in debt to total assets from 50.3% in 2012 to 49.2%.
- Increase in total assets from $9.9 Billion in 2012 to $13.6 Billion.
- Increase in unencumbered asset pool to $1.3 billion.

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. 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 $11.9 million in management and incentive fees which would otherwise have been payable to HRPM and incurred only an additional $2.2 million in property operating costs for the six months ended December 31, 2013.

- In August 2013, the REIT acquired a one-third interest in ECHO, owner and developer of 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, with an average remaining lease term of 12.9 years. ECHO’s portfolio consists of 173 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. The total ECHO portfolio was valued at U.S. $1.2 billion which equated to 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 in cash on closing, with a further one third due 18 months from closing and the final one third due 30 months from closing. However, should ECHO require funds for qualified asset acquisitions, a portion of the full outstanding deferred payment would be payable on accelerated demand at ECHO's option. The proceeds received from the REIT will be used by ECHO to further expand its retail portfolio by acquiring additional retail properties in the eastern United States. As part of the transaction, the REIT has appointed two directors to the ECHO board. ECHO is accounted for as an equity investment and will be reporting its financial information to the REIT one month in arrears. ECHO’s results for August, September, October and November 2013 have been reported in H&R’s year end combined financial statements and the management discussion and analysis (“MD&A”).

- During the second quarter of 2013, the REIT acquired 100% of Primaris which consisted of 26 properties valued at $3.2 billion, and a highly skilled professional management platform. The acquisition was funded through the issuance of 62.5 million Stapled Units with a value of $1.4 billion, the assumption of Primaris’ outstanding mortgages, convertible debentures and bank indebtedness totalling $1.6 billion and other working capital. 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 resulting from the acquisition of Primaris has enhanced liquidity for unitholders. Through this transaction, the REIT has also achieved broader diversification by geographic region and has taken a dominant position in the enclosed shopping centre asset class at a pivotal time when significant U.S. and international retailers are actively expanding into Canada. In July 2013, the REIT, through Primaris, acquired Peter Pond Mall, the leading enclosed shopping centre in Fort McMurray, Alberta for $168.5 million, at a capitalization rate of 6.3% (before property management fee income). In addition, the REIT 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 management platform.

Development Highlights

- The REIT has now completed 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. Office rent escalates at 0.75% per annum and parking income escalates at 1.5% per annum throughout 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 the final $300.0 million tranche of 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.

- The REIT has commenced construction of a state-of-the-art 740,000 square foot distribution centre on the REIT's Airport Road lands in Mississauga, Ontario. Unilever has leased the entire facility for a 10 year term providing the REIT with an anticipated 7% return on capital invested before financing. It is expected that the development will be completed by the end of 2014.

Operating Highlights

H&R REIT's average remaining term to maturity as at December 31, 2013 was 10.3 years for leases and 7.0 years for outstanding mortgages. Occupancy at December 31, 2013 was 98.1%, down slightly from 98.7% at December 31, 2012. Leases representing only 3.5% of total rentable area will expire during 2014. As at December 31, 2013, the ratio of H&R's debt to total assets was 49.2% 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 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 December 31		Year ended December 31	
	2013	2012	**2013**	2012
Rentals from investment properties (millions)	**$314.6**	$216.6	**$1,137.0**	$799.2
Property operating income	**$204.6**	$145.0	**$749.9**	$256.7
Net income (millions)	**$113.7**	$102.6	**$323.6**	$508.9
FFO (millions)(1)(2)	**$134.3**	$85.2	**$472.8**	$329.0
FFO per Stapled Unit (basic)(2)	**$0.47**	$0.44	**$1.82**	$1.74
FFO per Stapled Unit (diluted)(2)	**$0.46**	$0.43	**$1.79**	$1.67
Cash provided by operations (millions)	**$203.0**	$144.5	**$617.4**	$519.3
Cash distributions (millions) (3)	**$70.3**	$44.5	**$256.8**	$158.4
Distributions per Stapled Unit	**$0.34**	$0.31	**$1.35**	$1.18
Payout ratio per Stapled Unit (as a % of FFO)	**72.3%**	70.5%	**74.2%**	67.8%

(1) H&R's combined MD&A includes a reconciliation of net income to FFO. Readers are encouraged to review the reconciliation 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 for the year ended December 31, 2013 has been reduced by $204.8 million due to transaction costs relating to the Primaris acquisition and the property management internalization which were expensed during the year.

During the year ended December 31, 2012, there was a gain on extinguishment of debt of $10.2 million. Excluding this gain, FFO would have been $318.8 million and $1.69 per Stapled Unit (basic). This equates to an increase in FFO per Stapled Unit of 8% in 2013.

Monthly Distribution Declared

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

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
March 2014	$0.11250	$1.35	March 17, 2014	March 31, 2014

Recent Appointments

H&R REIT is pleased to announce the following new appointments:

(a) Cheryl Fried has been appointed Executive Vice President, Finance,
(b) Blair Kundell has been appointed Vice President, Operations; and
(c) Jason Birken has been appointed Vice President, Finance.

Cheryl Fried

Cheryl previously served as H&R REIT's VP-Accounting. In her new role, she will oversee corporate finance, accounting and public reporting responsibilities for H&R REIT. Cheryl earned a Bachelor of Arts at The City University of New York and holds a Chartered Accountant designation.

Blair Kundell

Blair previously served as H&R REIT's General Manager, Operations. In his new role, he will be responsible for building operations, tenant services and joint health and safety. Blair holds a degree in Economics from the University of Western Ontario.

Jason Birken

Jason previously served as H&R REIT's Controller. In his new role, he will be responsible for financial reporting, finance and compliance functions of the Trust, cash and treasury management and investor relations. Jason earned a Bachelor of Business Administration at Wilfrid Laurier University and holds a Chartered Accountant designation.

2014 Annual Unitholders' Meeting

H&R will host their Annual 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 42 office, 112 industrial and 167 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 33.7% interest in ECHO Realty LP which owns 173 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 December 31, 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, 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 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.