H&R REIT Grows Q1 FFO Per Unit by 2% and Continues to Strengthen its Balance Sheet. Debt to Total Assets reduced to 45.4%

Toronto, Ontario, May 7, 2015 - 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, 2015.

Summary of Significant Q1 2015 Activity

During the 15 months ended March 31, 2015, the REIT has sold properties for approximately $1.3 billion while acquiring approximately $300 million of assets. Through these dispositions H&R REIT has formed strategic relationships with H&R's new co-owners and has significantly strengthened its balance sheet by reducing H&R's debt to total asset ratio from 49.2% at the beginning of 2014 to 45.4% at March 31, 2015. Despite the dilutive impact of these sales with the positive impact of the foreign exchange, H&R grew FFO per unit by 2% in Q1 2015 as compared to Q1 2014, a testament to H&R's strategy of diversification both by asset class and geographic location.

New Industrial Platform

In 2014, the REIT entered into agreements to sell to an affiliate of the Public Sector Pension Investment Board ("PSP") and affiliates of Crestpoint Real Estate Investments Ltd. ("Crestpoint") (collectively, "CrestPSP") a 50% interest in a portfolio of Canadian industrial properties and a 49.5% interest in a portfolio of U.S. industrial properties (collectively, the "Industrial Portfolio"). H&R REIT Management Services LP, a wholly-owned subsidiary of the REIT, will remain the property manager and collect industry standard fees. On December 22, 2014, the REIT sold interests in 84 of the 85 Canadian properties to CrestPSP for a total selling price of approximately $508.3 million. CrestPSP assumed mortgages of approximately $161.7 million and received a mark-to-market adjustment on the assumed mortgages of approximately $11.1 million. The REIT provided CrestPSP with a vendor take-back mortgage of approximately $62.0 million. The net proceeds of $273.5 million were used to repay bank indebtedness.

On March 24, 2015, the REIT sold interests in 16 U.S. properties to CrestPSP for a total selling price of approximately U.S. $150.5 million. CrestPSP assumed mortgages of approximately U.S. $56.2 million and received a mark-to-market adjustment on the assumed mortgages of approximately U.S. $3.5 million. The REIT provided CrestPSP with a vendor take-back mortgage of approximately U.S. $10.1 million. Equity accounting has been applied to this joint venture arrangement for the U.S. properties. In addition, on March 24, 2015, the REIT sold an interest in one Canadian industrial property to CrestPSP for approximately $51.5 million and provided CrestPSP with a vendor take-back mortgage of approximately $23.2 million. The REIT plans to build on this strategic alliance with PSP and Crestpoint by expanding on this new industrial platform.

U.S. Residential

On February 10, 2015, the REIT acquired a residential property in Dallas, TX for U.S. $52.3 million at an expected capitalization rate of 5.6%. The property consists of 398 rental units representing net rentable area of 362,976 square feet. Average occupancy is 95.0% and average monthly rent is U.S. $1,140 per unit. In April 2015, the REIT acquired two properties in Orlando, FL comprising 714 residential units for U.S. $102.9 million at an average expected capitalization rate of 5.5%. Average occupancy for these two properties is 94.0% and average monthly rent is U.S. $1,119 per unit. With these latest acquisitions, the REIT has a portfolio of 1,808 residential units. In addition, construction commenced on the REIT's project in Long Island City, NY with Tishman Speyer as its partner for the development of 1,884 rental units. The total budget at the 100% ownership level is expected to be $1.2 billion with occupancy scheduled to begin at the end of 2017.

Leasing Activity

Effective December 31, 2014, Royal Bank of Canada vacated 274,100 square feet at the REIT's Front Street office property in Toronto, ON. The REIT has leased 231,170 square feet to Toronto Dominion Bank for an average term of approximately 11 years, commencing in three phases: 96,090 square feet effective June 1, 2015; 99,312 square feet effective October 1, 2015; and 35,759 square feet effective August 1, 2016. The REIT has also leased a further 53,500 square feet to Penguin Random House Canada effective November 2015 for 10.5 years.

In February 2015, Gowlings Canada Inc. renewed, for a further 15 years, its 130,274 square foot lease at 160 Elgin St., Ottawa, ON, which was to expire in 2016.

In February 2015, the REIT entered into a direct lease with TransCanada Pipelines Limited for 153,033 square feet at Telus Tower in Calgary, AB in which the REIT has a 50% ownership interest.

Exposure to Target

Target Corporation has discontinued operating stores in Canada through its subsidiary Target Canada Co. ("Target"). Primaris has an interest in nine malls where Target is a tenant: a 50% interest in four of these malls and a 100% interest in the other five malls. Three of the leases are guaranteed by Target Corporation, the U.S. parent of Target. The total 2014 annual gross rent from Target represents 0.6% of H&R's rentals from investment properties (including equity accounted investments) of $1.3 billion. The Target stores are well positioned in these malls and leased at an average net rent of $5.58 per square foot which provides the opportunity to subdivide and remerchandise for higher rents, should Target disclaim their leases. To date, Target has disclaimed seven of their leases, including the three that are guaranteed by Target's U.S. parent.

Mortgage Financing and Unencumbered Pool

In Q1 2015, the REIT repaid one mortgage upon maturity of $42.6 million which had an interest rate of 5.22%. As at March 31, 2015, excluding real estate assets reported in H&R's equity accounted investments, the REIT had 74 unencumbered properties with a fair value of approximately $1.6 billion and numerous other properties with very low loan to value ratios. As at March 31, 2015, excluding real estate assets reported in H&R's equity accounted investments, the REIT had 41 properties valued at approximately $1.6 billion which are encumbered with mortgages totaling $351.3 million. In this pool of assets, the average loan to value is 21.6%, the minimum loan to value is 7.4% and the maximum loan to value is 29.0%.

Operating Highlights

H&R REIT's average remaining term to maturity as at March 31, 2015 was 9.7 years for leases and 6.3 years for outstanding mortgages. Occupancy at March 31, 2015 was 97.6%, generally consistent with 97.8% at December 31, 2014 and 97.9% at March 31, 2014. Leases representing only 2.6% of total rentable area will expire during the remainder of 2015.

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 Management Discussion and Analysis ("MD&A") for further discussion of non-GAAP information presented.

	3 months ended March 31	
	2015	2014
Rentals from investment properties (millions)	**$299.3**	$311.9
Property operating income	**$170.2**	$181.6
Net income (millions)	**$94.1**	$113.1
FFO (millions)[(1)]	**$139.9**	$135.1
FFO per Stapled Unit (basic)	**$0.48**	$0.47
FFO per Stapled Unit (diluted)	**$0.47**	$0.46
Cash provided by operations (millions)	**$179.9**	$189.7
Distributions per Stapled Unit	**$0.34**	$0.34
Payout ratio per Stapled Unit (as a % of FFO)	**70.8%**	72.3%

(1) 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.

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 and net income of $25.5 million and $21.6 million for the three months ended March 31, 2015 and March 31, 2014 respectively.

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 2015	$0.11250	$1.35	June 16, 2015	June 30, 2015

2015 Annual Unitholders' Meeting

H&R will host its annual Unitholders' meeting this year on Monday, June 8, 2015 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 Canada's largest diversified real estate investment trust with total assets of approximately $13.5 billion as at March 31, 2015. H&R REIT is a fully internalized REIT and has ownership interests in a North American portfolio of high quality office, retail, industrial and residential properties comprising over 46 million square feet.

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. The current note receivable balance is U.S. $220.4 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, 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 and the expected capitalization rates of properties the REIT has acquired. 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.