



H&R REIT Reports an Increase of 4% in FFO Per Unit for the Second Quarter ended June 30, 2015

Toronto, Ontario, August 6, 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 and six months ended June 30, 2015.

Summary of Significant 2015 Activity

During the 18 months ended June 30, 2015, the REIT has sold properties for approximately \$1.3 billion while acquiring approximately \$0.4 billion of assets. Through these dispositions the REIT has formed strategic relationships with its new co-owners and has significantly strengthened its balance sheet by reducing its debt to total asset ratio from 49.2% at January 1, 2014 to 45.8% at June 30, 2015. Despite the dilutive impact of these sales, H&R grew FFO per unit by 4.3% in Q2 2015 as compared to Q2 2014, primarily due to the strengthening of the U.S. dollar. These results are a testament to the quality of the REIT's portfolio and the REIT's strategy of diversification both by asset class and geographic location.

New Industrial Platform

Following the sale to an affiliate of the Public Sector Pension Investment Board ("PSP") and affiliates of Crestpoint Real Estate Investments Ltd. ("Crestpoint") (collectively, "CrestPSP") of a 50% interest in 84 Canadian industrial properties on December 22, 2014, the REIT sold a 49.5% interest in 16 U.S. properties to CrestPSP for a selling price of approximately U.S. \$150.5 million on March 24, 2015. 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 a 50% 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

During the six months ended June 30, 2015, the REIT acquired three residential properties in Texas and Florida comprising 1,105 residential units for U.S. \$155.2 million at an average expected capitalization rate of 5.5%. At the date of acquisition, average occupancy for these three properties was 93.1% and average monthly rent was U.S. \$1,095 per unit. With these latest acquisitions, the REIT now 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 U.S. \$1.2 billion with occupancy scheduled to begin at the end of 2017.

Alberta Office Exposure

The REIT has five office properties in Alberta which comprise 16.5% of the REIT's total property operating income. Of this amount, 72.5% relates to the Bow which is leased to Encana Corporation until 2038 and 19.4% relates to TransCanada Pipelines Tower which is leased to TransCanada Pipelines Limited until 2021. The REIT has two office properties, 2767 2nd Avenue and a 50% interest in 2611 3rd Avenue in Alberta which comprise 1.8% of the REIT's total property operating income earned in Alberta with both properties leased to Alta Link LP until 2021 and 2026, respectively. The REIT also has a 50% interest in Telus Tower where Telus Communications will be

vacating 186,509 square feet (at the REIT's ownership interest) in 2016 which represents 1.4% of the REIT's total office square footage. The property has recently completed a \$14.6 million renovation including a new lobby and a connection to Telus Tower and the Bow through Calgary's Plus 15 Skywalk system.

Primaris: Exposure to Alberta and Target

The Primaris properties in Alberta that comprise 8.9% of the REIT's total property operating income, continue to show strong sales performance with average store sales (excluding anchor tenants) at \$571 per square foot for the rolling twelve months ended May 31, 2015 compared to the entire Primaris portfolio average at \$519 per square foot.

Primaris has an interest in nine malls where Target Canada Co. ("Target") was 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 of which two of the three properties are held in a joint venture. Of these nine locations, Target disclaimed eight of their leases. The location at Grant Park shopping centre was not disclaimed and the space has been taken over by Canadian Tire Corporation. At June 30, 2015, occupancy for Primaris was 87.4%. Excluding the Target space that has been returned to Primaris, occupancy would have been 96.6% compared to 96.2% in Q2 2014. The Target stores were well positioned in these malls and were leased at an average net rent of \$5.58 per square foot which provides an opportunity to subdivide and remerchandise at higher rents.

Mortgage Financing and Unencumbered Pool

During the six months ended June 30, 2015, the REIT repaid seven mortgages upon maturity totalling \$97.5 million which had a weighted average interest rate of 5.3%. As at June 30, 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 June 30, 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 \$341.6 million. In this pool of assets, the average loan to value is 21.0%, the minimum loan to value is 7.0% and the maximum loan to value is 28.5%.

Operating Highlights

H&R REIT's average remaining term to maturity as at June 30, 2015 was 9.8 years for leases and 6.2 years for outstanding mortgages. Occupancy at June 30, 2015 was 95.9%, compared to 97.8% at December 31, 2014 and June 30, 2014. Leases representing only 1.6% 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 June 30		6 months ended June 30	
	2015	2014	2015	2014
Rentals from investment properties (millions)	\$295.7	\$304.9	\$595.0	\$616.8
Property operating income	\$200.4	\$208.6	\$370.6	\$390.2
Net income (millions)	\$119.6	\$37.3	\$213.7	\$150.5
FFO (millions) ⁽¹⁾	\$142.8	\$135.1	\$282.7	\$270.2
FFO per Stapled Unit (basic)	\$0.49	\$0.47	\$0.97	\$0.94
FFO per Stapled Unit (diluted)	\$0.48	\$0.46	\$0.95	\$0.93
Cash provided by operations (millions)	\$173.3	\$170.2	\$353.2	\$359.9
Distributions per Stapled Unit	\$0.34	\$0.34	\$0.68	\$0.68
Payout ratio per Stapled Unit (as a % of FFO)	69.4%	72.3%	70.1%	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.

Monthly Distribution Declared

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

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
September 2015	\$0.11250	\$1.35	September 16, 2015	September 30, 2015

Subsequent Event

In July 2015, the REIT issued \$200.0 million principal amount of Series K floating rate unsecured debentures maturing on March 1, 2019. The proceeds were used to repay bank indebtedness.

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 \$13.6 billion as at June 30, 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, the REIT's plans to build on the strategic alliance with CrestPSP, the expected occupancy of the REIT's project in Long Island City, NY, the REIT's exposure to the Alberta office market and the opportunity to subdivide and remerchandise space formerly rented by Target. 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.