



H&R Announces Fourth Quarter and 2015 Annual Results

Toronto, Ontario, February 17, 2016 - 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 and year ended December 31, 2015.

Operating Highlights

H&R REIT’s occupancy as at December 31, 2015 was 95.9% compared to 97.7% as at December 31, 2014 which decreased primarily due to Target Canada Co. (“Target”) disclaiming their leases. H&R REIT’s average remaining term to maturity as at December 31, 2015 was 9.9 years for leases and 6.2 years for outstanding mortgages.

Liquidity

In December 2015, the REIT increased its liquidity by replacing its \$300 million secured operating line with a new \$500 million senior unsecured revolving credit facility with a syndicate of lenders which will mature in December 2018. The REIT, through its wholly-owned subsidiary PRR Trust, also amended its senior unsecured credit facility by increasing the line from \$200 million to \$300 million and extending the maturity date to December 2017. As at December 31, 2015, \$433.8 million was available under these facilities.

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. H&R’s Combined Financial Statements and MD&A for the year ended December 31, 2015 are posted on H&R’s website at www.hr-reit.com. Readers are encouraged to review these documents for a more fulsome discussion on H&R’s results.

	3 months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Rentals from investment properties (millions)	\$296.2	\$308.6	\$1,188.3	\$1,227.8
Property operating income (millions)	\$202.1	\$208.3	\$773.5	\$803.3
Net income (loss) (millions)	(\$39.5)	\$137.7	\$340.1	\$424.7
FFO (millions) ⁽¹⁾	\$142.9	\$138.5	\$569.9	\$543.0
FFO per Stapled Unit (basic)	\$0.48	\$0.48	\$1.95	\$1.88
FFO per Stapled Unit (diluted)	\$0.48	\$0.47	\$1.92	\$1.86
Cash provided by operations (millions)	\$234.2	\$198.3	\$771.5	\$765.9
Distributions per Stapled Unit	\$0.34	\$0.34	\$1.35	\$1.35
Payout ratio per Stapled Unit (as a % of FFO)	70.8%	70.8%	69.2%	71.8%

⁽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.

During the two-year period ended December 31, 2015, the REIT has sold properties (including partial interest in properties) for approximately \$1.4 billion while acquiring approximately \$0.6 billion of assets. Through these partial interest dispositions, the REIT has formed strategic relationships with its new partners and has significantly strengthened its balance sheet by reducing its debt to total asset ratio from 49.2% at January 1, 2014 to 46.2% at December 31, 2015. Despite the dilutive impact of these sales, the Trusts’ FFO per unit grew by 3.7% in 2015 primarily due to the strengthening of the U.S. dollar.



Included in net income (loss) is a fair value adjustment on real estate assets of (\$148.1 million) and (\$178.9 million) for the three months and year ended December 31, 2015, respectively. The large adjustment was primarily due to a decrease in the fair value of properties in Alberta. Without this adjustment, net income would have been \$108.6 million and \$519.0 million, respectively.

Alberta Exposure

The REIT's properties in Alberta comprise 28.3% of the REIT's adjusted same-asset property operating income, which is further discussed by segment below.

Alberta Office Segment:

The Alberta properties in the REIT's office segment are listed in the table below. They collectively comprised 17.4% of the REIT's same-asset adjusted property operating income in 2015.

Address	City	Ownership Interest	Total Property Area (Sq.Ft.)	% of the REIT's adjusted same-asset property operating income in 2015	Average Remaining Lease Term (years)	Major Tenant	S&P Tenant Credit Rating
5 th Ave. at Centre St.	Calgary	100%	2,024,182	12.6	22.2	Encana Corporation	BBB Stable
450-1st St., S.W.	Calgary	100%	931,187	3.3	15.3	TransCanada PipeLines Limited	A- Stable
411-1st St., S.E. ⁽¹⁾	Calgary	50%	709,877	1.2	2.1	Telus Communications	BBB+ Stable
2611-3rd Ave.	Calgary	50%	95,225	0.1	10.8	Alta Link LP	A- Stable
2767-2nd Ave.	Calgary	100%	69,793	0.2	6.0	Alta Link LP	A- Stable
Total			3,830,264	17.4	19.4		

⁽¹⁾ 411-1st St., S.E. is a multi-tenanted property.

Alberta Retail Segment:

The retail properties in Alberta comprise 9.4% of the REIT's adjusted same-asset property operating income in 2015 and continue to show strong sales performance with average store sales (excluding anchor tenants) at \$563 per square foot for the rolling 12 months ended December 31, 2015 compared to the entire Primaris portfolio average at \$534 per square foot. The weighted average remaining term to lease is 4.5 years.

Alberta Industrial Segment:

The REIT has a 50% ownership interest in 16 industrial properties in Alberta and a 100% ownership interest in one industrial property in Alberta which, collectively, comprised 1.5% of the REIT's adjusted same-asset property operating income in 2015. The REIT owns 1,762,937 square feet of industrial space in Alberta, of which 1,413,866 square feet is leased to creditworthy tenants such as Canadian Tire Corporation, Finning International Inc. and Purolator Inc. on a long-term basis. The weighted average remaining term to lease is 9.2 years and leases representing only 2,309 square feet will expire during 2016 and 2017.

Target Update

Primaris has an interest in nine malls where 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 these three properties are held in a joint venture. Primaris's claims in respect of the Target leases are being handled through the *Companies' Creditors Arrangement Act* (Canada). The potential settlement has not been accrued for in H&R's Financial Statements. These nine locations totalled 831,688 square feet at the REIT's ownership interest. The Target stores were well positioned in these malls and were leased at an average net rent of \$5.58 per square foot providing an opportunity to subdivide the premises and remerchandise at higher rents. It is currently expected that once the space has been subdivided there will be approximately 709,000 square feet of leasable area at the REIT's ownership interest. Primaris has entered into new leases for 63,883 square feet and leases are in process for a further 367,804 square feet at



the REIT's ownership interest. Primaris is also in active negotiations with potential tenants on a combined 199,653 square feet at the REIT's ownership interest. The REIT expects most of these leases will be binding, subject to development permits, by the end of Q1 2016 with occupancy occurring between the summer of 2016 and the end of 2017. The cost of subdividing and re-leasing the premises is expected to be approximately \$109.0 million at the REIT's ownership interest. At December 31, 2015, occupancy in the Primaris segment was 87.1%. Excluding the Target space that has been returned to Primaris, occupancy would have been 96.3% compared to 97.5% at December 31, 2014. As at December 31, 2015, the Target stores have not been transferred to properties under development and no expenses have been capitalized for accounting purposes.

Lantower Residential

In accordance with the REIT's strategy of diversification both by asset class and geography, the REIT is continuing to expand into residential rental units in Texas and Florida under the branding of "Lantower Residential". During the year ended December 31, 2015, Lantower Residential acquired six residential properties in Texas and Florida comprising 1,890 units for U.S. \$260.4 million at an average expected capitalization rate of 5.4%. At the date of each respective acquisition, average occupancy for these six properties was 94.3% and average monthly rent was U.S. \$1,086 per unit. Including these acquisitions, Lantower Residential has a portfolio of 2,586 rental units.

Construction commenced on the development of 1,871 rental units in Long Island City, NY ("LIC Project"), in which the REIT has a 50% interest and Tishman Speyer is the operating partner. The total budget at the 100% ownership level is expected to be approximately U.S. \$1.2 billion with occupancy scheduled to begin in late 2017. Construction financing for up to U.S. \$640 million has been secured through a syndicate of lenders co-led by two U.S. banks. As a condition to the financings, the REIT will have to contribute a further U.S. \$64.4 million to the project which will increase its total investment to U.S. \$260.7 million. Trade contracts for approximately 73% of total hard costs have been awarded.

Office Segment:

During 2015, the REIT entered into new leases and/or renewed expiring leases totalling approximately 1.8 million square feet. Major tenants of these leases include TransCanada PipeLines Limited, TD Bank, Gowlings, Ontario Realty Corporation and Public Works and Government Services, Canada.

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

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
March 2016	\$0.11250	\$1.35	March 16, 2016	March 31, 2016

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 \$14.0 billion as at December 31, 2015. H&R REIT is a fully internalized real estate investment trust and has ownership interests in a North American portfolio of high quality office, retail, industrial and residential properties comprising over 47 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 expectation with respect to the square feet of leasable area for the malls where Target was a tenant, the timing of completion of any leases relating to such premises and the cost of subdividing and re-leasing such premises and the expected budget and occupancy of the LIC Project. 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.