H&R REIT Announces First Quarter 2016 Results

Toronto, Ontario, May 11, 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 ended March 31, 2016.

Financial Highlights

	3 months ended March 31	
	2016	2015
Rentals from investment properties (millions)	**$303.4**	$299.3
Property operating income (millions)	**$167.9**	$170.2
Funds from Operations ("FFO") (millions)(1)	**$147.6**	$139.9
FFO per Stapled Unit (basic)	**$0.50**	$0.48
FFO per Stapled Unit (diluted)	**$0.49**	$0.47
Cash provided by operations (millions)	**$152.2**	$179.9
Distributions per Stapled Unit	**$0.34**	$0.34
Payout ratio per Stapled Unit (as a % of FFO)	**68.0%**	70.8%

(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.

The REIT's adoption of International Financial Reporting Standards ("IFRS") Interpretations Committee 21, *Levies* ("IFRIC 21") has resulted in the entire year's property taxes for the REIT's U.S. properties all being recorded in Q1 of the related year. The impact of the adoption of this policy is a reduction in property operating income of $28.5 million and $25.5 million for the three months ended March 31, 2016 and March 31, 2015, respectively.

Operating Highlights

Occupancy as at March 31, 2016 was 95.8% compared to 97.6% as at March 31, 2015. The decrease is largely due to lower occupancy in Primaris malls where Target Canada Co. ("Target") disclaimed their leases. Despite the drop in occupancy, FFO per unit increased by 4% primarily due to lease termination payments of $4.9 million and the stronger U.S. dollar. Leases representing only 2.3% of total rentable area will expire during the remainder of 2016. H&R REIT's average remaining lease term to maturity as at March 31, 2016 was 10.0 years.

Target Update

As at March 31, 2016, the former Target stores have not been transferred to properties under development and H&R has not capitalized any of the property operating or finance costs attributable to this space. The following table is a summary of our leasing progress on the former Target space:

	Square Feet at 100%	Square Feet at H&R's Interest	Annual Base Rent at H&R's interest ($ Millions)
Former Target Canada space	1,062,676	831,688	$4.4
Backfill progress:			
Committed space	179,001	99,851	1.3
Conditional agreements	482,373	433,407	5.3
Advanced discussions	140,713	110,213	2.7
Total backfill progress	**802,087**	**643,471**	**$9.3**
Space currently being marketed	36,713	30,029	TBD
Total gross leasable area ("GLA") upon completion of redevelopment	838,800	673,500	
Potential GLA converted for landlord uses (common area etc.)[1]	143,278	117,890	N/A
Space for demolition/potential redevelopment	80,598	40,299	N/A
Total	1,062,676	831,689	

(1) Represents square footage based on current redevelopment plans and is subject to change based on tenant demand.

H&R expects that, once the above leasing is complete, the new tenants will contribute approximately $9.3 million or 211% of the total base rental revenue lost through Target's departure. H&R expects most of these leases will be binding by the end of 2016, subject to development permits, with occupancy occurring between October 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. The potential lease settlement from Target has not been accrued in the Trust's financial statements.

Development Highlights

Construction is progressing 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. $18.3 million to the project which will increase its total investment to U.S. $260.6 million. Approximately 74.7% of total hard costs and 68.9% of total project costs have been fixed.

In Q1 2016, the REIT entered into two separate 15-year build-to-suit leases for industrial properties to be developed at the Airport Road Business Park in Brampton, ON, adjacent to the Unilever project, for Sleep Country Canada and Solutions 2 Go Inc. The total net leasable area for these properties is expected to be 341,775 square feet. Occupancy of both projects is expected to occur in Q1 2017, which will conclude the development of this parcel of land.

Alberta Exposure

The REIT's properties in Alberta comprise 27.6% of the REIT's adjusted same-asset property operating income, which is further discussed by segment below.

Alberta Office Segment:

The REIT has interests in five office properties in Alberta. They collectively comprised 17.3% of the REIT's adjusted same-asset property operating income in Q1 2016. As can be seen from the chart below, these tenants are some of the strongest companies in the energy sector and their average remaining lease term is 17.5 years.

Address	City	Total GLA (Sq.Ft.)	Ownership Interest	GLA at REIT's Interest (Sq.Ft.)	% of the REIT's adjusted same-asset property operating income in Q1 2016	Average Remaining Lease Term (years)	Major Tenant	S&P Tenant Credit Rating
5th Ave. at Centre St.	Calgary	2,024,182	100%	2,024,182	12.4%	21.9	Encana Corporation	BBB Negative
450-1st St., S.W.	Calgary	931,187	100%	931,187	3.3%	15.1	TransCanada PipeLines Limited	A- Negative
411-1st St., S.E.	Calgary	707,093	50%	353,547	1.3%	1.9	Telus Communications	BBB+ Stable
2611-3rd Ave.	Calgary	95,225	50%	47,613	0.1%	10.6	Alta Link LP	A Stable
2767-2nd Ave.	Calgary	69,793	100%	69,793	0.2%	5.7	Alta Link LP	A Stable
Total		3,827,480		3,426,322	17.3%	17.5		

On May 1, 2016, Telus Communications vacated 342,238 square feet at 411-1st St., S.E. (171,119 square feet at the REIT's 50% ownership interest). The property has recently completed a $14.6 million renovation including a new lobby and a connection through Calgary's Plus 15 Skywalk system to the Bow.

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 Q1 2016. The REIT owns 1,895,338 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 9.1 years and leases representing only 2,309 square feet will expire during 2016 and 2017.

Alberta Retail Segment:

The retail properties in Alberta comprise 8.8% of the REIT's adjusted same-asset property operating income in Q1 2016 and continue to show strong sales performance in the Primaris Malls with average store sales (excluding anchor tenants) at $559 per square foot for the rolling 12 months ended February 29, 2016 compared to the entire Primaris portfolio average at $534 per square foot. The weighted average remaining term to lease is 4.7 years.

Fort McMurray Properties:
The REIT has interests in the following two properties in Fort McMurray:

Property	Property Type	Total GLA	Ownership Interest	GLA at REIT's Interest	Major Tenants
Peter Pond Mall	Retail	203,120	100%	203,120	Sport Chek, Atmosphere
118 MacDonald Cr.	Industrial	65,169	50%	32,585	Finning International Inc.
Total		268,289		235,705	

To date, we are not aware of any wildfire damage to these properties and will keep our tenants and unitholders informed as further information becomes available.

H&R Retail Segment Highlights

In March 2016, the REIT sold its 100% interest in two retail properties both located in the U.S. totaling 252,445 square feet for U.S. $22.9 million. The REIT completed five-year lease extensions at nine single tenant properties in the U.S. totalling 510,892 square feet.

Industrial Segment Highlights

In February 2016, (along with its co-owners, Public Sector Pension Investment Board ("PSP") and affiliates of Crestpoint Real Estate Investments Ltd. ("Crestpoint") (collectively, "CrestPSP")), the REIT acquired a 50% interest in a 264,802 square foot newly constructed industrial property in Calgary, AB for $31.0 million. The REIT and CrestPSP also completed three industrial 10-year lease renewals in the U.S. totaling 2,167,756 square feet.

Financing Highlights

In March 2016, the REIT added a new senior unsecured credit facility for $200.0 million maturing March 17, 2021. The REIT entered into an interest rate swap agreement to effectively fix the interest rate at 2.56% per annum on U.S. $130 million of the U.S. dollar denominated borrowing of this credit facility. With the addition of this facility, the REIT's total credit facilities amounted to $1.0 billion. As at March 31, 2016, the unused credit facilities amounted to $465.4 million and H&R's ratio of debt to total assets was 46.4%.

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 2016	$0.11250	$1.35	June 16, 2016	June 30, 2016

2016 Annual Unitholders' Meeting

H&R will host its annual Unitholders' meeting this year on Friday, June 17, 2016 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 $14.6 billion as at March 31, 2016. 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 contributions to rental revenue by new tenants in former Target locations, the timing of completion and occupancy of any leases relating to such premises and the cost of subdividing and re-leasing such premises, the expected budget and occupancy of the LIC Project, the expected contributions by the REIT to the LIC Project and the expected net leasable area and occupancy date for the industrial properties at Airport Road Business Park. 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. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on the Trusts' estimates and assumptions that are subject to risks and uncertainties, including those described below under "Risks and Uncertainties" and those discussed in the Trusts' materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of the Trusts to differ materially from the forward-looking statements contained in this press release. Those risks and uncertainties include, among other things, risks related to: unit price risk; real property ownership; credit risk and tenant concentration; interest and other debt-related risk; ability to access capital markets; lease rollover risk; joint arrangements risk; currency risk; construction risks; availability of cash for distributions; environmental risk; tax risk; tax consequences to U.S. holders; dilution; unitholder liability; redemption right risk and risks relating to debentures. 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 other than in Alberta; local real estate conditions are stable other than in Alberta; interest rates are relatively stable; and equity and debt markets continue to provide access to capital. The Trusts caution that this list of factors is not exhaustive. Although the forward-looking statements contained in this press release are based upon what the Trusts believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking 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.

Non-GAAP Financial Measures

H&R's financial statements are prepared in accordance with IFRS. However, in this press release, a number of measures which do not have a meaning recognized under IFRS or Canadian Generally Accepted Accounting Principles ("GAAP") are presented. These measures, as well as the reasons why management believes these measures are useful to investors, are described below. None of these non-GAAP financial measures should be construed as an alternative to financial measures calculated in accordance with GAAP. Further, H&R's method of calculating these supplemental non-GAAP financial measures may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable.

H&R's Interest

H&R applies the equity method of accounting to investments in joint ventures and associates in H&R's financial statements as prescribed under IFRS. Throughout this press release any references to the "H&R's interest" are non-GAAP measures which include amounts per H&R's financial statements plus H&R's proportionate share of equity accounted investments.

Property Operating Income

Property operating income is the rental revenue generated from the REIT's investment properties, net of the property operating expenses incurred. Management believes that this is a useful measure for investors as it provides a snapshot of how the REIT's properties are performing before financing costs and other sources of income and expenditures which are not directly related to the day-to-day operations of a property. Property operating income should not be construed as an alternative to net income calculated in accordance with IFRS.

Adjusted Property Operating Income

Adjusted property operating income is also a non-GAAP measure. Effective January 1, 2014, the REIT adopted IFRIC 21. Adjusted property operating income excludes the impact of this change in accounting policy which relates to the timing of the liability recognition for U.S. realty taxes. Management believes that adjusted property operating income is an important non-GAAP measure as, by excluding the impact of IFRIC 21, it evenly matches U.S. realty tax expense with realty tax recoveries throughout the period.

Same-Asset Property Operating Income and Adjusted Same-Asset Property Operating Income

Same-asset property operating income and adjusted same-asset property operating income are non-GAAP financial measures used by the REIT which management believes is useful for investors as it reports period-over-period performance for properties owned by the REIT throughout both periods. This typically excludes acquisitions, business combinations, dispositions and transfers of properties under development to investment properties.

Funds from Operations

FFO is a non-GAAP financial measure widely used in the real estate industry as a measure of operating performance. H&R presents its combined FFO calculations in accordance with the Real Property Association of Canada (REALpac) guidelines however, this method of calculating FFO may differ when comparing to other issuers. Management believes this to be a useful measure for investors as it adjusts for items included in net income that are not recurring including gain (loss) on sale of real estate assets, as well as non-cash items such as the fair value adjustments on investment properties. FFO should not be construed as an alternative to net income or cash flows provided by operating activities calculated in accordance with IFRS. H&R's combined management's discussion and analysis includes a reconciliation of property operating income to FFO.

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.