H&R REIT Announces Third Quarter 2016 Results and an Increase in Distributions to $1.38 Per Annum

Toronto, Ontario, November 14, 2016 - H&R Real Estate Investment Trust ("H&R") and H&R Finance Trust (collectively, "the Trusts") (TSX: HR.UN; HR.DB.D; HR.DB.E and HR.DB.H) today announced their combined financial results for the three and nine months ended September 30, 2016.

Financial Highlights

	3 months ended September 30		9 months ended September 30	
	2016	2015	**2016**	2015
Rentals from investment properties (millions)	**$297.3**	$297.1	**$890.5**	$892.1
Property operating income (millions)	**$198.7**	$200.8	**$562.4**	$571.4
Same-Asset property operating income (cash basis) (millions)(1)	**$196.7**	$196.1	**$592.2**	$586.0
Net income before income taxes (millions)	**$157.2**	$178.4	**$407.7**	$411.0
Funds from Operations ("FFO") (millions)(2)	**$136.9**	$144.3	**$441.4**	$427.1
FFO per Stapled Unit (basic)	**$0.46**	$0.49	**$1.48**	$1.46
FFO per Stapled Unit (diluted)	**$0.45**	$0.49	**$1.46**	$1.44
Cash provided by operations (millions)	**$226.1**	$184.2	**$535.2**	$537.4
Distributions per Stapled Unit	**$0.33**	$0.33	**$1.01**	$1.01
Payout ratio per Stapled Unit (as a % of FFO)	**71.7%**	67.3%	**68.2%**	69.2%

(1) Per the Trusts' interests.
(2) The Trusts' combined MD&A includes a reconciliation of FFO to net income. Readers are encouraged to review the reconciliation in the combined MD&A.

Financial results have been effected by net asset dispositions of $431.7 million during the 21 months ended September 30, 2016 and the reduction of debt from 46.2% of total assets at December 31, 2015 to 44.8% at September 30, 2016. The decrease in net income before income taxes for the three and nine months ended September 30, 2016 as compared to the respective periods in 2015 is primarily due to the net asset dispositions, fair value adjustments on financial instruments and the gain on foreign exchange, partially offset by the fair value adjustment on real estate assets. FFO was $0.46 and $1.48 per Stapled Unit for the three and nine months ended September 30, 2016, respectively, compared to $0.49 and $1.46 per Stapled Unit for the three and nine months ended September 30, 2015, respectively. Excluding the income from lease termination settlements and other non-recurring items, FFO would have been $0.46 and $1.41 per Stapled Unit for the three and nine months ended September 30, 2016, respectively, compared to $0.47 and $1.44 per Stapled Unit for the three and nine months ended September 30, 2015, respectively.

Operating Highlights

Occupancy as at September 30, 2016 was 95.9% compared to 96.0% as at September 30, 2015. Leases representing only 5.0% of total rentable area will expire during the remainder of 2016 and 2017, excluding leases in Lantower Residential. H&R's average remaining lease term to maturity as at September 30, 2016 was 9.8 years.

Development Highlights

Construction is progressing on the development of 1,871 luxury residential rental units in Long Island City, NY ("LIC Project"), in which H&R has a 50% interest. The total budget at the 100% ownership level is expected to be approximately U.S. $1.2 billion with occupancy in the first tower scheduled to begin in late 2017. As at September 30, 2016, H&R's total equity investment in the LIC Project was U.S. $260.7 million. The remaining costs to complete the LIC Project are U.S. $593.2 million which will be funded through a U.S. $640.0 million construction financing facility. Approximately 99.3% of total hard costs and 88.1% of total project costs have been fixed. Upon completion and stabilized occupancy, the first year's contribution to FFO from the LIC Project at H&R's interest is expected to be U.S. $23.0 million which equates to an 8.8% return on investment.

In Q1 2016, H&R entered into two separate 15-year build-to-suit leases for industrial properties to be developed in the Airport Road Business Park in Brampton, ON for Sleep Country Canada and Solutions 2 Go Inc. The total net leasable area for these properties will be approximately 341,775 square feet with occupancy of both projects expected to occur in Q2 2017. Upon completion, the contribution to FFO from these two projects is expected to be $1.7 million.

In August 2016, H&R acquired a 31.7% non-managing interest in 38.4 acres of land, adjacent to the San Pablo Bay, in the northeast part of San Francisco, CA ("Hercules Project") for the future development of multi-family residential units. The initial investment to purchase the land was approximately U.S. $10.0 million (at H&R's interest).

Office Segment Highlights

Subsequent to September 30, 2016, H&R entered into an agreement to sell a non-managing 50% interest in the Transcanada Tower in Calgary, AB for gross proceeds of approximately $257.4 million. As at September 30, 2016, the IFRS property value was $500.0 million and the mortgage payable was $82.1 million. On closing, which is expected to be in November 2016, H&R will prepay the entire mortgage on the property. The prepayment penalty is expected to be $13.6 million. On closing of this transaction, H&R's unencumbered asset pool (excluding ECHO) is expected to be $2.6 billion.

Alberta Office Exposure:
The weighted average lease term remaining in H&R's Alberta office portfolio is 17.2 years. The leases expiring between October 1, 2016 and December 31, 2018 in H&R's Alberta office portfolio total 18,515 square feet. As at September 30, 2016, H&R's Alberta office portfolio had approximately 184,000 square feet of vacant space, at H&R's ownership share, all of which is in F1rst Tower (formerly Telus Tower). Of this vacant space, 12,667 square feet has been leased for a six-year term commencing January 1, 2017.

Target Update

Redevelopment of the former Target stores has commenced, however, the space has not been transferred to properties under development. For the three and nine months ended September 30, 2016, H&R has capitalized $0.8 million and $1.5 million, respectively, of the property operating and 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	383,376	248,090	3.8
Conditional agreements	356,985	327,608	3.7
Advanced discussions	65,922	65,922	1.5
Total backfill progress	**806,283**	**641,620**	**9.0**
Space currently being marketed	65,756	52,062	1.1
Total gross leasable area ("GLA") upon completion of redevelopment	**872,039**	**693,684**	**$10.1**
Potential GLA converted for landlord uses (common area etc.)(1)	132,796	109,084	N/A
Space for demolition/potential redevelopment	57,841	28,920	N/A
Total	**1,062,676**	**831,688**	

(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 $10.1 million annually or 230% 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 middle of 2018. The cost of subdividing and re-leasing the premises is expected to be approximately $109.0 million at H&R's ownership interest. A partial lease settlement from Target of $18.9 million was recognized in the Trust's Financial Statements as Other Income in Q2 2016. In October 2016, a second distribution in respect of the settlement proceeds of $1.5 million was received from Target.

Lantower Residential Highlights

H&R is continuing its expansion into the multi-family rental market in the United States. In Q3 2016, Lantower Residential acquired a multi-family property in Dallas, TX, built in 2012. The property comprises 312 units and was purchased for U.S. $46.4 million at a capitalization rate of 5.3%.

Subsequent to September 30, 2016, Lantower Residential acquired a multi-family property in Tampa, FL, built in 2014. The property comprises 300 units and was purchased for U.S. $69.0 million at a capitalization rate of 5.2%.

Lantower Residential now has a portfolio of 3,520 units across 11 properties earning an average monthly rent of U.S. $1,088 per unit and having an average age of 13 years.

Debt and Liquidity Highlights

In July 2016, H&R repaid the Series D Senior Debentures of $180.0 million.

In Q3 2016, H&R (excluding ECHO) secured three new mortgages and secured an increase to an existing mortgage adding a total of $88.0 million of debt at a weighted average interest rate of 2.7% for an average term of 4.7 years and repaid 11 mortgages upon maturity totalling $93.0 million which had a weighted average interest rate of 5.3%. The current weighted average interest rate on outstanding debt is 4.4% with an average term to maturity of 5.0 years.

As at September 30, 2016, the debt to total asset ratio, per the Trusts' Financial Statements was 44.8% compared to 46.2% at December 31, 2015 and cash on hand plus undrawn credit facilities amounted to $413.6 million. As at September 30, 2016, unencumbered assets were approximately $2.3 billion and unsecured debt was approximately $1.4 billion, resulting in a coverage ratio of 1.6x.

Subsequent to September 30, 2016, H&R issued $200.0 million principal amount of 2.923% Series L unsecured senior debentures maturing May 6, 2022.

Governance

In keeping with H&R's ongoing review of its corporate governance matters and in order to best serve unitholders, the trustees are seeking independent professional advice with respect to compensation matters. In addition, H&R is expected to introduce a say on pay vote at the next annual general meeting.

Distribution Increase

The trustees have approved an increase in the current monthly distribution per Stapled Unit resulting in a $0.03 annual increase to a total of $1.38 per annum. Thomas Hofstedter, H&R's Chief Executive Officer said, "Based on our projected cash flow increases resulting from completion of projects currently under development, from contractual rental increases, interest rate savings and from lower capital expenditures, we are pleased to announce this distribution increase. Our strategy of investing in high quality properties, leased long-term to creditworthy tenants, together with 30% of our portfolio in the United States, have combined to produce consistent and stable results. We expect continued growth in our cash flow over the next few years, allowing us to further increase distributions while maintaining our conservative payout ratio."

Monthly Distribution Declared

The Trusts declared distribution for the month of December is scheduled as follows:

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
December 2016	$0.11500	$1.38	December 15, 2016	December 30, 2016

Conference Call and Webcast Details

Management of H&R will hold a conference call to discuss the financial results for the Trusts on Tuesday, November 15, 2016 at 9.30 a.m. Eastern Time.

Participants can join the call by dialing 647-427-7450 or 1-888-231-8191. For those unable to participate in the conference call at the scheduled time, it will be archived for replay beginning approximately one hour following completion of the call. To access the archived conference call by telephone, dial 416-849-0833 or 1-855-859- 2056 and enter the passcode 83945700 followed by the pound key. The telephone replay will be available until Tuesday, November 22, 2016 at midnight.

A live audio webcast will be available through http://hr-reit.com/Investor-Relations/InvestorEvents.aspx or http://event.on24.com/r.htm?e=1269141&s=1&k=094B1B6F5F360867CB2C19F0B5C22C36. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived on the Company's website following the call date.

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 $14.5 billion at September 30, 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 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. $220.5 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 Disclaimer

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, including future increases to distributions, H&R'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, expected cash flow to H&R from the LIC Project, the expected net leasable area, occupancy date and expected cash flow from the industrial properties at Airport Road Business Park, the expected 50% non-managing interest sale of Transcanada Tower in Calgary, AB, the increases in cash flow, the maintenance of a conservative payout ratio and the expected unencumbered asset pool. 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 the Trusts, 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

The Trusts' Financial Statements are prepared in accordance with IFRS. The Trusts' management uses a number of measures which do not have a meaning recognized or standardized under IFRS or Canadian Generally Accepted Accounting Principles ("GAAP"). The following measures, The Trusts' Interests, Property Operating Income, Property operating income (cash basis), Same-Asset Property Operating Income and Same-Asset Property Operating Income (cash basis), Funds from Operations ("FFO") and Debt to Total Assets Ratios, as well as other measures discussed elsewhere in this release, should not be construed as an alternative to financial measures calculated in accordance with GAAP. Further, the Trusts' 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. The Trusts' use these measures to better assess the Trusts' underlying performance and provide these additional measures so that investors may do the same. These Non-GAAP Financial Measures are more fully defined and discussed in the Trusts' combined MD&A for the third quarter of 2016, available at www.hr-reit.com and on www.sedar.com.

Additional information regarding H&R 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.