H&R REIT Announces Second Quarter 2017 Results and Renewal of Normal Course Issuer Bid

Toronto, Ontario, August 10, 2017 - H&R Real Estate Investment Trust ("H&R") and H&R Finance Trust (collectively, "the Trusts") (TSX: HR.UN; HR.DB.D and HR.DB.H) today announced their combined financial results for the three and six months ended June 30, 2017.

Financial Highlights

H&R continued its strategy of redeploying capital by selling certain investment properties between January 1, 2016 and June 30, 2017 for total proceeds of $1.03 billion and acquiring $528.6 million in new properties and land held for development, at the Trusts' proportionate share during such period. These acquisitions were primarily in the multi-family segment in the U.S. The net proceeds from these dispositions have been used to strengthen H&R's balance sheet by reducing debt. As at June 30, 2017, the debt to total asset ratio per the Trusts' Financial Statements was 43.5% compared to 46.2% at January 1, 2016.

- Property operating income decreased by $4.2 million and $16.9 million for the three and six months ended June 30, 2017 compared to the respective 2016 periods, primarily due to net property dispositions disclosed above.
- Same-Asset property operating income (cash basis) increased by $3.9 million (2.2%) and $5.5 million (1.5%) for the three and six months ended June 30, 2017 compared to the respective 2016 periods.
- Net income increased by $49.0 million and $129.6 million for the three and six months ended June 30, 2017 compared to the respective 2016 periods primarily due to lower deferred income taxes.
- FFO (as defined below) per unit was $0.47 per unit and $0.93 per unit for the three and six months ended June 30, 2017, respectively, compared to $0.53 per unit and $1.03 per unit for the three and six months ended June 30, 2016, respectively. The decreases are primarily due to $18.9 million received as a one-time lease settlement payment from Target in 2016 and the net property dispositions discussed above.

	3 months ended June 30		6 months ended June 30	
	2017	2016	**2017**	2016
Rentals from investment properties (millions)	**$287.0**	$289.8	**$580.8**	$593.3
Property operating income (millions)	**$191.6**	$195.8	**$346.7**	$363.6
Net income before income taxes (millions)	**$169.1**	$203.7	**$291.0**	$250.5
Funds from Operations ("FFO") (millions)(1)	**$142.4**	$156.9	**$281.7**	$304.5
FFO per Stapled Unit (basic)(1)	**$0.47**	$0.53	**$0.93**	$1.03
FFO per Stapled Unit (diluted)(1)	**$0.46**	$0.52	**$0.92**	$1.01
Distributions per Stapled Unit	**$0.35**	$0.34	**$0.69**	$0.68
Payout ratio per Stapled Unit (as a % of FFO)(1)	**74.5%**	64.2%	**74.2%**	66.0%
Interest coverage ratio(1)	**2.98**	2.73	**3.00**	2.75
Debt to total assets as at June 30(2)	**43.5%**	45.8%	**43.5%**	45.8%

(1) These are non-GAAP measures. See "Non-GAAP Financial Measures" in this press release. The Trusts' combined MD&A includes a reconciliation of net income to FFO. Readers are encouraged to review the reconciliation in the combined MD&A.
(2) Debt includes mortgages payable, debentures payable and bank indebtedness.

Operating Highlights

Occupancy as at June 30, 2017 was 96.3% compared to 95.6% as at June 30, 2016. Commercial leases representing only 1.7% of total rentable area will expire during the remainder of 2017 and H&R's average remaining lease term to maturity as at June 30, 2017 was 9.4 years.

Developments

Construction is progressing on the development of 1,871 luxury residential rental units known as "Jackson Park" in Long Island City, NY, in which H&R has a 50% ownership 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 early 2018. As at June 30, 2017, total project costs incurred amounted to U.S. $821.5 million, of which U.S. $80.2 million was incurred during Q2 2017. The remaining costs (of which 75.3% have been contractually fixed) are expected to be funded through the construction financing facility. Upon completion and stabilized occupancy, the first year's property operating income at H&R's ownership interest is projected to be U.S. $36.9 million.

In January 2017, H&R acquired a mortgage receivable for U.S. $34.0 million secured against nine acres of land in Miami, FL. The site, known as River Landing, is on the Miami River adjacent to the Health District and is zoned for approximately 420,000 square feet of retail space and over 500 multi-family units. As at June 30, 2017, the mortgage receivable outstanding was U.S. $43.5 million.

In Q2 2017, the developments of two industrial properties in the Airport Road Business Park in Brampton, ON reached substantial completion and were transferred from properties under development to investment properties. These properties have been pre-leased for 15 years to Solutions 2 Go Inc. and Sleep Country Canada. The net leasable area of the property leased to Solutions 2 Go Inc. is 215,020 square feet and the tenant's lease commenced in May 2017. The net leasable area of the property leased to Sleep Country Canada is 126,772 square feet and the tenant's lease is expected to commence in September 2017.

As at June 30, 2017, H&R owns a mortgage receivable of U.S. $38.1 million secured against a property and an adjacent 4.8 acres of land located in Dallas, TX. This project includes the re-development of a 93,000 square foot existing historical building into state-of-the-art office space with completion expected by Q1 2018. To date, approximately 63.0% has been pre-leased. The 4.8 acres of land is expected to be developed into a multi-family residential property. H&R has an option to purchase both sites upon completion.

Subsequent to June 30, 2017, H&R acquired a 33.3% non-managing interest in approximately 5.0 acres of land in Austin, TX for the future development of 391 multi-family residential units with construction expected to commence mid-2018. The initial investment to purchase the land was approximately U.S. $4.9 million (at H&R's ownership interest).

Office

Alberta Office Exposure:
The weighted average lease term remaining in H&R's Alberta office portfolio is 16.9 years. As at June 30, 2017, H&R's Alberta office portfolio had approximately 171,000 square feet of vacant space, at H&R's ownership interest, all of which is in F1RST Tower (formerly Telus Tower). H&R's exposure to lease expiries in Alberta between July 1, 2017 and December 31, 2018 totals 18,507 square feet.

H&R Retail

In May 2017, Marsh Supermarkets, a tenant at seven of H&R's properties in the U.S., filed for Chapter 11 bankruptcy protection. Six of these locations have been re-leased to Fresh Encounter and Kroger. In Q2 2017, H&R wrote off the accrued rent receivable for these seven properties which totalled U.S. $4.2 million.

Primaris

Sears:
Sears Canada ("Sears") currently occupies 675,613 square feet at H&R's ownership interest at nine properties across the Primaris portfolio with an average net rent payable at the rate of $3.47 per square foot per annum. In June 2017, Sears obtained creditor protection under the *Companies' Creditors Arrangement Act* (the "CCAA") and announced it was closing 59 stores in Canada. Two of these stores scheduled for closing are located at Medicine Hat Mall and McAllister Place, where the applicable gross rent is approximately $0.9 million per annum, at H&R's ownership interest.

Target:
For the six months ended June 30, 2017, H&R spent approximately $42.5 million in redeveloping the former Target stores. The following table is a summary of H&R's 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	774,035	$4.0
Backfill progress:			
Committed space and in occupancy	354,319	248,522	3.6
Committed space not yet in occupancy	277,636	185,165	3.5
Conditional agreements	87,087	79,587	1.4
Advanced discussions	65,485	57,262	1.1
Total backfill progress	**784,527**	**570,536**	**9.6**
Space currently being marketed	44,867	27,106	0.5
Total gross leasable area ("GLA") upon completion of redevelopment	**829,394**	**597,642**	**$10.1**
Expected GLA to be converted to common area	175,441	147,472	N/A
Space for demolition/potential redevelopment	57,841	28,921	N/A
Total	**1,062,676**	**774,035**	

H&R expects most of the remaining leases will be entered into by the end of 2017, with most occupancy occurring between late 2017 and Q3 2019. The total remaining cost of subdividing and re-leasing the premises is expected to be approximately $56.3 million at H&R's ownership interest.

Lantower Residential

As at June 30, 2017, Lantower Residential had a portfolio of 13 properties in the U.S. comprised of an aggregate of 4,207 units, with an average age of 12 years and two properties comprising 2,241 units currently under construction.

In Q2 2017, Lantower Residential acquired a multi-family property in Austin, TX which was completed in 2016. The property, known as "NXNE", is comprised of 375 units and was purchased for U.S. $51.9 million. In addition, Lantower Residential purchased a second property adjacent to NXNE which is currently under development and is expected to be completed in November 2017. Upon completion, this property will be comprised of 370 units for a total cost of U.S. $52.8 million. These two acquisitions will provide Lantower Residential with a significant presence in the Techridge submarket of Austin.

Debt and Liquidity Highlights

In April 2017, H&R issued $150.0 million principal amount of 3.37% Series N Senior Debentures maturing January 30, 2024 which is in addition to the $200.0 million principal amount issued in January 2017, bringing the total principal amount of Series N Senior Debentures to $350.0 million.

The weighted average interest rate on mortgages and debentures payable as at June 30, 2017 was 4.1% with an average term to maturity of 5.1 years, at the Trusts' proportionate share.

Normal Course Issuer Bid ("NCIB")

H&R also announced today receipt of final acceptance from the Toronto Stock Exchange ("TSX") of H&R's notice of intention to make a normal course issuer bid ("NCIB"). Under the NCIB, H&R REIT will have the ability to purchase for cancellation up to a maximum of 5,000,000 Stapled Units on the open market, representing approximately 1.76% of the public float as of August 1, 2017. As at August 1, 2017, H&R had 289,686,775 outstanding Stapled Units.

The NCIB will commence on August 15, 2017 and remain in effect until the earlier of August 14, 2018 and the date on which H&R REIT has purchased the maximum number of Stapled Units permitted under the NCIB. Purchases of Stapled Units under the NCIB will be made in accordance with TSX by-laws, rules and policies through the facilities of the TSX, and through alternative trading systems. The Stapled Units so purchased will be cancelled. The price paid for any repurchased units will be the market price of such Stapled Units at the time of acquisition. Daily purchases will be limited to 113,640 Stapled Units other than block purchase exemptions.

H&R believes that its outstanding Stapled Units represent an attractive investment, and the ongoing purchase of its outstanding Stapled Units may benefit all persons who continue to hold Stapled Units by increasing their equity interest in H&R.

H&R may establish an automatic purchase plan under which its broker may purchase Stapled Units according to a prearranged set of criteria. The plan would enable the purchase of Stapled Units at any time, including when H&R would not ordinarily be active in the market because of internal trading blackout periods, insider trading rules or otherwise. The plan would terminate on the earliest of: the date on which the purchase limits specified in the plan have been attained, the date on which the normal course issuer bid terminates or the date on which the plan is terminated by a party in accordance with its terms. To H&R's knowledge, after reasonable inquiry, none of the directors, officers or other insiders of H&R or any associate of any such persons, or any associate or affiliate of H&R currently intends to sell Stapled Units to H&R during the course of the issuer bid.

H&R did not make any purchases of Stapled Units under its previous normal course issuer bid through the facilities of the TSX which was approved by the TSX on July 8, 2016 and expired July 13, 2017.

Monthly Distribution Declared

The Trusts have previously declared a distribution for the month of August and today declared a distribution for the month of September scheduled as follows:

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
August 2017	$0.11500	$1.38	August 17, 2017	August 31, 2017
September 2017	$0.11500	$1.38	September 15, 2017	September 29, 2017

Conference Call

Management will host a conference call to discuss the financial results for H&R on Friday, August 11, 2017 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 49488890 followed by the pound key. The telephone replay will be available until Friday, August 18, 2017 at midnight.

Webcast

A live audio webcast will be available through http://hr-reit.com/Investor-Relations/InvestorEvents.aspx. 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 H&R'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 $14.1 billion at June 30, 2017. 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. $222.7 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 information in this press release contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Results of Operations", "Liquidity and Capital Resources", "Risks and Uncertainties" and "Subsequent Events" relating to the Trusts' objectives, strategies to achieve those objectives, the Trusts' beliefs, plans, estimates, projections and 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, H&R's expectation with respect to the activities of H&R's development properties, including redevelopment of existing properties and building of new properties, the expected budget, financing and occupancy of Jackson Park, the first year's property operating income from Jackson Park, the expected occupancy date of the industrial properties at Airport Road Business Park, contributions to rental revenue by new tenants in former Target locations, the timing of completion and occupancy of any leases relating to premises vacated by Target and the cost of subdividing and re-leasing premises vacated by Target, management's belief that H&R has sufficient funds for future commitments and management's expectation to be able to meet all of the Trusts' ongoing obligations and to finance short-term development commitments through the Trusts' general operating facilities and the adoption of new accounting policies. 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 the Trusts' current beliefs and are based on information currently available to management. 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, uncertainties and other factors 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, performance or achievements of the Trusts to differ materially from the forward-looking statements contained in this press release. Factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but not are limited to, 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. Additional risks and uncertainties include, among other things, risks related to: real property ownership, credit risk and tenant concentration; lease rollover risk, interest and other debt-related risk; construction risks; currency risk; liquidity risk, financing credit risk, environmental risk; co-ownership interest in properties, joint arrangement risks; unit price risk; availability of cash for distributions; ability to access capital markets; dilution; unitholder liability; redemption right risk; risks relating to debentures, tax risk and tax consequences to U.S. holders. The Trusts caution that these lists of factors, risks and uncertainties are 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. Readers are also urged to examine H&R and Finance Trust's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of H&R and Finance Trust to differ materially from the forward-looking statements contained in this press release. Neither Finance Trust nor any of its trustees or officers, assumes any responsibility for the completeness of the information contained in H&R's materials filed with the Canadian securities regulatory authorities or for any failure of H&R or its trustees or officers to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information. Neither H&R nor any of its trustees or officers, assumes any responsibility for the completeness of the information contained in Finance Trust's materials filed with the Canadian securities regulatory authorities or for any failure of Finance Trust or its trustees or officers to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information. All forward-looking statements in this press release are qualified by these cautionary statements. These forward-looking statements are made as of today and the Trusts, except as required by applicable Canadian law, assume 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' interim condensed combined Financial Statements are prepared in accordance with IAS 34. 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 non-GAAP measures FFO, Same-Asset property operating income (cash basis), Interest Coverage Ratio, Payout Ratio per Stapled Unit and Trusts' proportionate share as well as other non-GAAP 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 as at and for the three and six months ended June 30, 2017, 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.