H&R REIT Provides an Update on its Strategic Vision and Announces Third Quarter 2017 Results

Toronto, Ontario, November 13, 2017 - H&R Real Estate Investment Trust (“H&R") (TSX: HR.UN and HR.DB.D) is pleased to provide its unitholders with an update on its strategic vision:

Strategy Update

H&R has been evolving and adapting to a changing business and regulatory environment while continuing to adopt best practices and policies. Significant changes that have been implemented by H&R include:

1) fully internalizing management;
2) expanding the size of the board and adopting new governance policies;
3) adopting a new executive compensation plan; and
4) recycling capital to enhance the quality and return of the property portfolio.

Over the course of 2017, management has reviewed H&R’s portfolio with the goal of simplifying and concentrating it into fewer asset categories. A streamlined portfolio of operating divisions with both scale and quality will enable H&R to have a sharper focus and is expected to generate enhanced financial performance in the future.

H&R’s office portfolio, which represents approximately 50% of H&R’s assets, is comprised of 36, primarily Class A properties with highly rated credit tenants on long-term leases, providing H&R with stability and consistent growth. H&R believes this portfolio to be among the highest quality office portfolios in North America. Given the strength in the global real estate investment market, growth of H&R’s office portfolio through acquisitions is currently not anticipated.

H&R has made considerable progress in building Lantower’s multi-residential portfolio which is fundamental to H&R’s growth strategy as H&R expects to continue to allocate additional capital to this segment. This portfolio, including development projects, is located in the southern U.S. and gateway cities. Management envisions this portfolio growing over time from approximately 8% of H&R’s assets to 15% or more. Management believes that high-quality multi-residential properties in large and growing markets offer attractive stability and growth.

H&R remains encouraged by the outlook for Primaris as its Canadian malls have largely withstood the challenges associated with anchor department store reliance. The closure of Sears, which accounts for less than 0.4% of H&R’s revenue, is anticipated to offer more profitable upside as the space is re-leased.

H&R’s U.S. $358.2 million investment in Echo Realty continues to perform well. H&R does not expect to allocate more capital to Echo Realty.

H&R has decided to sell all 79 of its wholly-owned U.S. retail properties and, together with its partners, its 12 remaining U.S. industrial properties. H&R expects to achieve aggregate sales proceeds of at least the aggregate IFRS values of these properties. As at September 30, 2017, using an aggregate capitalization rate of 7.38%, H&R has valued its U.S. retail assets at approximately U.S. $750 million and using an aggregate capitalization rate of 6.88%, H&R has valued its U.S. industrial properties at approximately U.S. $145 million, at H&R’s ownership interest. The first tranche of retail properties, valued at approximately U.S. $250 million, is expected to be put on the market during Q1 2018. The selling of certain U.S. industrial properties has already commenced with the sale of three properties during Q3 2017. H&R expects that the proceeds of these sales will be used for future Lantower acquisitions. H&R expects its current leverage and capital structure to remain mostly unchanged as a result of this strategy.

The portfolio changes that are expected from the result of this overall strategic review are significant in terms of achieving the objective of streamlining and focusing the portfolio on assets that offer the strongest potential for growth in net operating income and net asset value.

H&R's President and CEO, Thomas Hofstedter said: "We continue to be focused on our core objective: to build the highest quality real estate portfolio that will provide stability and cash flow growth and deliver strong per unit performance over the long-term. We are committed to improving our disclosure in investor relations. Our commencement of quarterly conference calls, enhancements in disclosures and commencement of investor and analyst tour events, most recently in Toronto in October and next week in New York are testaments to these efforts."

Third Quarter Financial Results

Financial Highlights

H&R and H&R Finance Trust (collectively, "the Trusts") are also pleased to announce their combined financial results for the three and nine months ended September 30, 2017.

H&R is very pleased with the financial results this quarter, which reflect the high-quality of its portfolio, the underlying growth in value and cash flow that its portfolio generates, and the effects of its continued gradual repositioning of its business, consistent with its recent review of strategic objectives.

H&R continued to recycle capital by selling certain investment properties and equity accounted investments between January 1, 2016 and September 30, 2017 for total proceeds of $1.08 billion and acquiring $530.4 million in new properties during such period. These acquisitions were primarily in the multi-family segment in the U.S.

The net proceeds from these transactions have been used to repay debt and strengthen H&R's balance sheet while, at the same time, have reduced overall rent, property operating income, net income before income taxes and funds from operations. As at September 30, 2017, the debt to total asset ratio per the Trusts' Financial Statements was 43.6% compared to 46.2% at December 31, 2015.

	3 months ended September 30		9 months ended September 30	
	2017	2016	**2017**	2016
Rentals from investment properties (millions)	**$289.6**	$297.3	**$870.4**	$890.5
Property operating income (millions)	**$195.3**	$198.7	**$542.0**	$562.4
Net income before income taxes (millions)	**$76.1**	$157.2	**$367.1**	$407.7
Funds from Operations ("FFO") (millions)(1)	**$141.0**	$136.9	**$422.6**	$441.4
FFO per Stapled Unit (basic)(1)	**$0.46**	$0.46	**$1.39**	$1.48
FFO per Stapled Unit (diluted)(1)	**$0.46**	$0.45	**$1.38**	$1.46
Distributions per Stapled Unit	**$0.35**	$0.33	**$1.04**	$1.01
Payout ratio per Stapled Unit (as a % of FFO)(1)	**76.1%**	71.7%	**74.8%**	68.2%
Interest coverage ratio(1)	**3.01**	2.82	**3.01**	2.78

(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.

Operating Highlights

Occupancy as at September 30, 2017 was 96.0% compared to 95.9% as at September 30, 2016. Commercial leases, representing only 8.3% of total rentable area, will expire during the remainder of 2017 and 2018. H&R's average remaining lease term to maturity as at September 30, 2017 was 9.2 years.

Development Pipeline

H&R's current development pipeline is expected to create significant value and enhance cash flows over the next three years.

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. The leasing office for Jackson Park is scheduled to open later this month. As at September 30, 2017, total project costs incurred amounted to U.S. $899.6 million, of which U.S. $78.1 million was incurred during Q3 2017. The remaining costs (of which 73.8% 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 Q2 2017, H&R purchased a multi-family property under development in Austin, TX known as "Ambrosio". It is expected that this development will be substantially complete and transferred to investment properties in Q4 2017. Upon completion, this property will be comprised of 370 multi-family units for a total cost of U.S. $52.8 million. Ambrosio is located adjacent to H&R's NXNE property, which will provide H&R with a significant presence in the Tech Ridge submarket of Austin.

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 September 30, 2017, the mortgage receivable outstanding was U.S. $54.3 million.

As at September 30, 2017, H&R has a mortgage receivable outstanding of U.S. $41.8 million secured against an office property currently under construction and an adjacent 4.8 acres of land located in downtown Dallas, TX ("2217 Bryan St."). This project includes the re-development of a 93,000 square foot existing historical building into state-of-the-art office space. To date, approximately 63.0% has been pre-leased. The 4.8 acres of excess land is expected to be developed into a multi-family residential property. H&R has an option to purchase both properties at cost.

H&R has a 31.7% interest in 38.4 acres of land in Hercules, CA adjacent to the San Pablo Bay, northeast of San Francisco. Phase 1 will consist of 172 multi-family units and construction is expected to commence in Q1 2018. The total budget for this phase is expected to be U.S. $71.1 million, at the 100% level. As at September 30, 2017, H&R's investment was U.S. $11.5 million.

In July 2017, H&R acquired a 33.3% non-managing interest in approximately 5.0 acres of land in Austin, TX ("Koenig Project") for the future development of 391 multi-family units with construction expected to commence mid-2018. As at September 30, 2017, H&R's investment was approximately U.S. $5.3 million.

Lantower Residential

In September 2017, Lantower Residential sold 12510 South Green Drive in Houston, TX for U.S. $32.2 million which it had purchased in November 2014 for U.S. $28.0 million. The internal rate of return of 26.8% per annum on equity invested was a result of growth in net operating income and the improved capitalization rate.

Subsequent to September 30, 2017, Lantower Residential acquired 451 multi-family units at 1810 Sweetbroom Circle in Tampa, FL at a purchase price, excluding transaction costs, of approximately U.S. $78.9 million, representing a going-in capitalization rate of 5.4%, or approximately U.S. $174,867 per unit.

As at November 12, 2017, Lantower Residential had a portfolio of 13 properties in the U.S. comprised of an aggregate of 4,230 multi-family units, with an average age of 10 years and two properties currently under construction (Jackson Park and Ambrosio) which will comprise an additional 1,305 multi-family units, at H&R's ownership interest, when completed.

Primaris

The enclosed mall portfolio same store sales productivity increased to $546 per square foot for the 12-month period ending August 30, 2017 an increase from the $541 per square foot compared to the year prior. Primaris owns and manages market dominant shopping centres and continues to realize strong tenant demand having completed 144 new lease transactions during the first three quarters of the year which has driven the occupancy rate to 91.8%, a substantial increase from the 87.4% at the beginning of the year. Including tenants committed, but not yet open, the occupancy rate rises to 94.5%.

Management expects the full completion of re-tenanting former Target space and the recent return to economic growth in Alberta to act as positives for the near-term performance of Primaris, more than offsetting the impact of Sears closures. With average Sears net rents of only $3.47 per square foot, accounting for less than 0.4 percent of annualized gross revenue, management consider Sears' departure as an opportunity to materially increase net operating income through replacement of an unproductive anchor tenant paying rents well below market rates with tenants that will generate increased rent and traffic to the properties.

Debt and Liquidity Highlights

In August 2017, H&R issued $125.0 million principal amount of 2.923% Series L Senior Debentures maturing May 6, 2022 which is in addition to the $200.0 million principal amount issued in November 2016, bringing the total principal amount of Series L Senior Debentures to $325.0 million.

The weighted average interest rate on mortgages and debentures payable as at September 30, 2017 was 4.0% with an average term to maturity of 4.7 years.

As at September 30, 2017, the Trusts had $51.7 million of cash on hand, $694.5 million available under its general operating facilities and an unencumbered property pool of approximately $3.2 billion.

The Trusts' Internal Reorganization

On October 19, 2017, the Trusts announced that they are proposing to complete an internal reorganization (the "Reorganization") which is intended to continue and enhance the benefits of the existing Stapled Unit structure that has been in place since 2008. The result of the Reorganization will be to effectively replace H&R Finance Trust in H&R's Stapled Unit structure with a newly-formed entity called H&R Finance (2017) Trust ("H&R F17 Trust"), which will have substantively the same characteristics as H&R Finance Trust. The Reorganization will be effected by way of a plan of arrangement resulting in, among other things, holders of Stapled Units, through a series of steps, disposing of their H&R Finance Trust units and acquiring units of H&R F17 Trust. Following completion of the Reorganization, units of H&R REIT and H&R F17 Trust will trade together as Stapled Units on the Toronto Stock Exchange under the ticker symbol "HR.UN". H&R F17 Trust will be expected to hold notes of H&R REIT (U.S.) Inc. ("U.S. Holdco"), a subsidiary of H&R, evidencing a debt obligation in the principal amount of approximately U.S. $1 billion issued by U.S. Holdco (an increase from the approximately U.S. $223.9 million principal amount of notes currently held by H&R Finance Trust, which increase is reflective of the growth in H&R's U.S. investment portfolio). Joint meetings of unitholders will be held on December 7, 2017 and if the Reorganization is approved by the unitholders at the meetings and assuming timely satisfaction of all other closing conditions, including receipt of a final order of the Court of Queen's Bench of Alberta and an advance income tax ruling from the Canada Revenue Agency, it is anticipated that the Reorganization will be completed by the end of December 2017. For more information on the Reorganization, please see the management information circular of the Trusts dated October 31, 2017 which is available at www.sedar.com.

Monthly Distribution Declared

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

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
December 2017	$0.11500	$1.38	December 13, 2017	December 29, 2017

Conference Call

Management will host a conference call to discuss the financial results for the Trusts on Tuesday, November 14, 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 95558240 followed by the pound key. The telephone replay will be available until Tuesday, November 21, 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 $14.0 billion at September 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. $223.9 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 “Strategy Update” and “Third Quarter Financial Results” 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, expectations regarding H&R’s leverage and capital structure, H&R’s goal of simplifying and concentrating its portfolio, the stability and consistent growth of H&R’s office portfolio, the continued allocation of capital to, and the growth of, the Lantower Residential segment, H&R’s decision to sell its U.S. retail and industrial properties and the timing and proceeds of any such sales, H&R’s capital allocation to Echo Realty, the potential for growth in net operating income and net asset value, the expected use of proceeds from expected asset sales, the impact on H&R’s operating and financial performance of its proposed changes, 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, and the opening of the leasing office for, Jackson Park, the first year’s property operating income from Jackson Park, the timing of completion and total cost of Ambrosio, the total cost of Hercules, the expected development of 2217 Bryan St. and the Koenig Project, the completion of re-tenanting former Target space and the return to economic growth in Alberta, expectations regarding more profitable upside from the closure of Sears, the ability to obtain the final order and the Canada Revenue Agency Ruling on the terms and timing contemplated by the parties, to complete the Reorganization on the terms and on the timing contemplated by management, the assumption that all necessary conditions will be met for the completion of the Reorganization, the amount of the increase expected in the principal amount of U.S. Holdco Notes, 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 November 13, 2017 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, 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 nine months ended September 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.