H&R REIT Reports Third Quarter 2018 Results

Toronto, Ontario, November 12, 2018 - H&R Real Estate Investment Trust ("H&R" or "the REIT") (TSX: HR.UN) is pleased to announce its financial results for the three and nine months ended September 30, 2018.

H&R has been reallocating capital by way of property dispositions, acquisitions, developments and the repurchase and cancellation of REIT units ("Units"). The objectives of these capital recycling transactions are to simplify H&R's businesses and enhance the REIT's internal growth profile by increasing the contributions from its core portfolio and making H&R easier for investors to understand, analyze and value. The following 2018 transactions highlight H&R's progress in achieving its strategic objectives identified in its letter to unitholders included in H&R's 2017 Annual Report:

- Sold 63 lower growth U.S. retail assets for U.S. $633.0 million;
- Sold H&R's ownership interest in F1RST Tower in Calgary, AB for $53.5 million;
- Sold H&R's ownership interest in five non-core Canadian industrial assets and two non-core Canadian retail assets for $72.1 million;
- Reinvested sales proceeds in higher growth assets by acquiring multi-family properties in the U.S. for U.S. $182.3 million and an additional investment of U.S. $73.9 million which closed in October 2018;
- Further advanced and expanded the development pipeline to $1.2 billion of properties under development;
- Purchased and cancelled 6.6 million Units for $136.3 million; and
- Eliminated H&R Finance Trust ("Finance Trust") and the Stapled Unit structure to return H&R to a single trust structure in line with industry peers.

The above noted transactions have reduced Property operating income and Funds from Operations ("FFO") in 2018, due to the lag between property sales and the reinvestment of proceeds as well as the lower initial yields on acquisitions relative to sold properties. H&R looks forward to benefitting from the full reinvestment of the sale proceeds and the enhanced growth profile, resulting in positive Property operating income, FFO and Net Asset Value ("NAV") growth in 2019 and beyond.

FINANCIAL HIGHLIGHTS

	3 months ended September 30, 2018			9 months ended September 30, 2018		
	2018	2017	% Change	**2018**	2017	% Change
Rentals from investment properties (millions)	**$286.2**	$289.6	(1.2%)	**$879.1**	$870.4	1.0%
Property operating income (millions)	**$186.4**	$195.3	(4.6%)	**541.9**	$542.0	-%
Same-Asset property operating income (cash basis) - Canada[1] (millions)	**$134.1**	$131.5	2.0%	**$398.0**	$393.8	1.1%
Same-Asset property operating income (cash basis) - U.S. in U.S. dollars[1] (millions)	**$37.6**	$40.6	(7.4%)	**$113.0**	$114.5	(1.3%)
Same-Asset property operating income (cash basis) total in Canadian dollars[1] (millions)	**$183.4**	$183.2	0.1%	**$543.7**	$543.8	-%
Net income before income taxes	**$111.7**	$76.1	46.8%	**$279.7**	$367.1	(23.8%)
Net income (millions)	**$105.5**	$78.8	33.9%	**$276.8**	$342.7	(19.2%)
FFO (millions)[1]	**$127.6**	$141.0	(9.5%)	**$395.2**	$422.6	(6.5%)
FFO per Unit (basic and diluted)[1]	**$0.42**	$0.46	(9.1%)	**$1.30**	$1.39	(6.6%)
Distributions per Unit	**$0.35**	$0.35	-%	**$1.04**	$1.04	-%
Payout ratio per Unit (as a % of FFO)[1]	**81.4%**	74.7%	6.7%	**79.4%**	74.4%	5.0%
NAV per Unit as at September 30[1]	**$25.73**	$25.01	2.9%	**$25.73**	$25.01	2.9%

(1) These are non-GAAP measures. See "Non-GAAP Financial Measures" in this press release. H&R's management discussion and analysis ("MD&A") for the three and nine months ended September 30, 2018 includes a reconciliation of property operating income to Same-Asset property operating income (cash basis) and net income to FFO as well as the calculation of NAV per Unit. Readers are encouraged to review the reconciliations and calculation in H&R's MD&A.

Property operating income decreased by $8.9 million and $0.1 million, respectively, for the three and nine months ended September 30, 2018 compared to the respective 2017 periods primarily due to the sale of 63 U.S. retail properties in June 2018, partially offset by Lantower Residential property acquisitions. The nine months ended September 30, 2017 were impacted by a $5.6 million non-cash write-off of straight-line rent that reduced property operating income in 2017.

Same-Asset property operating income (cash basis) from Canada increased by 2.0% and 1.1%, respectively, for the three and nine months ended September 30, 2018 compared to the respective 2017 periods, primarily due to an increase in occupancy, contractual rental escalations and renewed leases at higher rents from H&R's Ontario Office properties.

Same-Asset property operating income (cash basis) from the U.S. in U.S. dollars decreased by 7.4% and 1.3%, respectively, for the three and nine months ended September 30, 2018 compared to the respective 2017 periods, primarily due to ECHO receiving lease termination fees of U.S. $4.0 million at H&R's ownership interest in Q3 2017. Excluding these lease termination fees, Same-Asset property operating income (cash basis) from the U.S. would have increased 2.8% in Q3 2018 compared to Q3 2017 and 2.2% for the nine months ended September 30, 2018 compared to the respective 2017 period.

Total Same-Asset property operating income (cash basis) increased by 0.1% and 0%, respectively, for the three and nine months ended September 30, 2018 compared to the respective 2017 periods. Excluding the lease termination fees received, total Same-Asset property operating income (cash basis) would have increased 2.9% in Q3 2018 compared to Q2 2017 and 0.8% for the nine months ended September 30, 2018 compared to the respective 2017 period.

Net income before income taxes increased (decreased) by $35.6 million and ($87.4 million), respectively, for the three and nine months ended September 30, 2018 compared to the respective 2017 periods, primarily due to non-cash items. Excluding non-cash items, which consist of fair value adjustments, gain (loss) on sale of real estate assets and foreign exchange, net income before income taxes net income decreased by $1.0 million from $129.3 million in Q3 2017 to $128.3 million in Q3 2018 and by $20.9 million from $379.6 million for the nine months ended September 30, 2017 to $358.7 million for the nine months ended September 30, 2018. The decrease of $20.9 million was primarily due to net income from equity accounted investments decreasing by $27.8 million for the nine months ended September 30, 2018 compared to the respective 2017 period, primarily as a result of the change in fair value adjustments on real estate assets and the sale of nine U.S. industrial properties in 2017.

Included in FFO at the REIT's proportionate share[1] are the following items which can be a source of variances between periods:

	Three months ended September 30			Nine months ended September 30		
(in thousands of Canadian dollars)	**2018**	2017	Change	**2018**	2017	Change
Lease termination fees	**$444**	$5,538	($5,094)	**$1,926**	$5,985	($4,059)
Jackson Park FFO	**186**	3,363	(3,177)	**2,751**	10,457	(7,706)
Other[2]	**-**	(548)	548	**-**	2,747	(2,747)
	$630	$8,353	($7,723)	**$4,677**	$19,189	($14,512)

(1) This is a non-GAAP measure. See "Non-GAAP Financial Measures" in this press release.
(2) For complete details please see page 31 of H&R's MD&A for the three and nine months ended September 30, 2018, available under H&R's profile on SEDAR (www.sedar.com) and posted on H&R's website at www.hr-reit.com.

Excluding the above items, FFO would have been $127.0 million for the three months ended September 30, 2018 (Q3 2017 - $132.6 million) and $0.42 per basic Unit (Q3 2017 - $0.43 per basic Unit). For the nine months ended September 30, 2018, FFO would have been $390.6 million (Q3 2017 - $403.5 million) and $1.29 per basic Unit (Q3 2017 - $1.33 per basic Unit).

SUMMARY OF SIGNIFICANT Q3 2018 ACTIVITY

Developments

Management believes that H&R's development pipeline is a key element to delivering growth in NAV and FFO per Unit over time. H&R's large scale, low leverage and high-credit-quality tenant base allows H&R to pursue large format development opportunities not available to smaller entities, while managing risk exposures. H&R continues to make significant progress with its value-creating development program, consisting of a well-staggered pipeline of projects.

Jackson Park, the 1,871 luxury unit residential development in Long Island City, NY, in which H&R has a 50% ownership interest, is nearing completion. This trophy project is on budget and slightly ahead of the development lease-up schedule. As at September 30, 2018, 1,112 leases had been entered into and 1,037 units were occupied. The remaining lease-up is expected to occur during the balance of 2018 and 2019 with stabilized occupancy expected to be achieved during Q4 2019. Upon stabilization, the first full year's property operating income at H&R's ownership interest is projected to be U.S. $35.4 million, equating to a 6.1% yield on budgeted cost of U.S. $580.7 million.

The following table presents net income and FFO generated by Jackson Park for the three months ended September 30, 2018 as well as projections through 2020:

(H&R's ownership interest)	Q3 2018 (Actual)	Q4 2018 (Projected)	Annual 2019 (Projected)	Annual 2020 (Projected)
(in thousands of U.S. dollars)				
Property operating income	$588	$3,023	$28,890	$35,400
Finance cost - operations	(1,511)	(3,051)	(15,777)	(15,983)
Fair value adjustment on financial instruments	276	-	-	-
Net income (loss)	**(647)**	**(28)**	**13,113**	**19,417**
Fair value adjustment on financial instruments	(276)	-	-	-
Notional interest capitalization	1,052	548	130	-
FFO	**$129**	**$520**	**$13,243**	**$19,417**

Management expects Jackson Park to deliver NAV growth through the completion of this development, and once stabilized to contribute to higher net income and FFO growth over time. For Q3 2018, net income and FFO contributions from Jackson Park were better than projected primarily due to stronger leasing momentum. During Q3 2018, 466 leases were entered into and 602 units became occupied.

River Landing, the urban in-fill development in Miami, FL, in which H&R has a 100% ownership interest, fronts directly on the Miami River, is adjacent to the Health District and is in close proximity to downtown Miami. River Landing is a mixed-use development including approximately 346,000 square feet of retail space, approximately 136,000 square feet of office space and 529 multi-family units. To date, 66.0% of the retail space has been leased, with a further 10.1% under executed non-binding letters of intent. Construction is underway and is expected to be completed in Q2 2020. The total cost of the project is expected to be U.S. $424.8 million and as at September 30, 2018, approximately U.S. $153.4 million had been invested in the development. Upon stabilized occupancy, the first full year's property operating income is projected to be U.S. $24.4 million, equating to a 5.7% yield on budgeted cost.

In July 2018, H&R acquired a 30.9% non-managing ownership interest in the development of a 35-story residential tower consisting of 315 multi-family units and 6,450 square feet of retail for a total of U.S. $15.0 million at the 100% level. Located in Long Beach, CA, "Shoreline Gateway" will become the largest residential tower in Long Beach with views overlooking the Pacific Ocean. Construction is expected to commence in November 2018 and the total budget is approximately U.S. $227.1 million at the 100% level. As at September 30, 2018, H&R's investment was approximately U.S. $6.4 million.

For a complete list of H&R's current development projects, please see page 13 of H&R's MD&A.

Office

Property operating income and Same-Asset property operating income (cash basis) from the Office segment increased by 1.5% and 3.4%, respectively, in Q3 2018 compared to Q3 2017, primarily due to an increase in occupancy, contractual rental escalations and renewed leases at higher rents from H&R's Ontario Office properties. The Office portfolio is leased on a long-term basis to creditworthy tenants, with 82.6% of Office revenue from tenants with investment grade ratings.

Primaris

Property operating income and Same-Asset property operating income (cash basis) from the Primaris segment grew by 0.4% and 0.8%, respectively, in Q3 2018 compared to Q3 2017, despite the decline in occupancy from 91.8% at September 30, 2017 to 84.2% at September 30, 2018. This reflects the relative low rents Sears had been paying on the vacated space in 2017, the commencement of new leases on the previous Target space as well as the strength of the remainder of the tenant base.

Redevelopment of the former Sears stores has commenced, however, since each store is part of an existing property, they have not been transferred to properties under development. During the three and nine months ended September 30, 2018, H&R capitalized $0.3 million and $0.7 million, respectively, of property operating costs and $0.9 million and $1.8 million, respectively, of finance costs attributable to this space. Management expects positive rental growth from Primaris as the lease-up of the former Target and Sears space is expected to generate approximately $1.1 million, $5.8 million and $3.1 million of additional annual base rent in 2019, 2020 and 2021, respectively.

In August 2018, Primaris sold a 44,158 square foot multi-tenant retail property known as Sherwood Park Plaza in Sherwood Park, AB for $13.3 million.

Lantower Residential

H&R's growing Lantower Residential portfolio, now the third largest segment, generated $22.0 million of property operating income in Q3 2018, up 65.2% from Q3 2017 primarily due to acquisitions. In U.S. dollars, Lantower Residential's Same-Asset property operating income (cash basis) increased by 7.3% and 5.6%, respectively, for the three and nine months ended September 30, 2018 compared to the respective 2017 periods.

As at September 30, 2018, Lantower Residential had three properties in lease-up with a weighted average occupancy rate of 65.8%. For Q3 2018, these properties contributed U.S. $0.6 million to property operating income. All three properties are targeted for stabilization during Q4 2019 and are expected to contribute a total of approximately U.S. $9.5 million to property operating income on an annualized basis thereafter.

In September 2018, Lantower Residential acquired 328 multi-family units at 14201 N. Interstate, 35 Frontage Rd., Austin, TX ("Edgewater") at a purchase price, before transaction costs, of approximately U.S. $48.4 million or approximately U.S. $147,500 per multi-family unit. Edgewater is located adjacent to Lantower Residential's NXNE and Ambrosio properties providing Lantower Residential with a significant presence in the Tech Ridge submarket of Austin. Edgewater was built in 2018 and occupancy was 44.8% upon acquisition and 47.9% as at September 30, 2018. Stabilized occupancy is expected to be achieved by September 2019.

Industrial

In July 2018, H&R sold interests in two industrial assets located in Ontario for total proceeds of $9.4 million.

Debt Highlights

In September 2018, H&R replaced its $500.0 million unsecured credit facility scheduled to mature on December 18, 2018 with a new $150.0 million unsecured credit facility maturing September 20, 2022 and a $350.0 million unsecured credit facility maturing September 20, 2023.

During Q3 2018, H&R secured four new mortgages totalling $127.5 million at a weighted average interest rate of 4.2% for an average term of 9.7 years and repaid two mortgages totaling $3.3 million which had a weighted average interest rate of 4.4%. The weighted average interest rate on mortgages and debentures payable as at September 30, 2018 was 3.9% with an average term to maturity of 4.5 years.

As at September 30, 2018, the Debt to Total Asset ratio was 44.0% compared to 44.6% at December 31, 2017.

Unwinding of H&R's Stapled Unit Structure

On August 31, 2018, the REIT and Finance Trust effected a Reorganization by way of plan of arrangement involving the REIT, Finance Trust and certain of the REIT's subsidiaries resulting in, among other things, the termination of Finance Trust. Accordingly, H&R's Units are no longer stapled to units of Finance Trust with unitholders now holding only H&R Units, thereby returning H&R to single trust structure in line with industry peers.

Monthly Distribution Declared

H&R today declared a distribution for the month of December scheduled as follows:

	Distribution/Unit	Annualized	Record date	Distribution date
December 2018	$0.11500	$1.38	December 13, 2018	December 31, 2018

Conference Call

Management will host a conference call to discuss the financial results for H&R on Tuesday, November 13, 2018 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 2685153 followed by the pound key. The telephone replay will be available until Tuesday, November 20, 2018 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

H&R REIT is one of Canada's largest fully internalized real estate investment trusts with total assets of approximately $14.2 billion at September 30, 2018. H&R REIT has ownership interests in a North American portfolio of high quality office, retail, industrial and residential properties comprising over 41 million square feet.

Forward-Looking Disclaimer

Certain information in this news 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 relating to H&R's objectives, strategies to achieve those objectives, H&R's 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 statements made under the headings "Strategy Update" and "Summary of Significant Q3 2018 Activity", including with respect to the streamlining of H&R's operations, H&R's future plans, including significant development projects, dispositions, acquisitions and the repurchase and cancellation of Units, and management's expectations that the reinvestment of sale proceeds and H&R's enhanced growth profile will result in positive Property operating income, FFO and NAV growth in 2019 and beyond, management's belief that H&R's development pipeline is key to delivering growth in NAV and FFO per Unit over time, expectations for property operating income or rental growth from Lantower Residential and Primaris, H&R's expectation with respect to the activities of its development properties, including redevelopment of existing properties and building of new properties, the expected total cost and lease-up of Jackson Park, the expected stabilized property operating income from Jackson Park, and the anticipated projected amounts of net income and FFO in 2018-2020 resulting from Jackson Park, expected future NAV growth from Jackson Park, the total cost and timing of Shoreline, the expected total cost and stabilized property operating income from River Landing, management's expectation relating to the opportunity to increase property operating income as a result of Sears' departure and the enhanced profile and value for unitholders from the replacement of former Sears space, the expected annual base rent from former Sears and Target space, management's expectations regarding future distributions, management's belief that H&R has sufficient funds for future commitments and management's expectation to be able to meet all of its ongoing obligations and to finance short-term development commitments through its general operating facilities. 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. 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 H&R's estimates and assumptions that are subject to risks, uncertainties and other factors including those risks and uncertainties described in H&R's MD&A under "Risks and Uncertainties" and those discussed in H&R's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results, performance or achievements of H&R to differ materially from the forward-looking statements contained in this news 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; local real estate conditions are stable; 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, cyber security 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. H&R cautions that these lists of factors, risks and uncertainties are 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. Readers are also urged to examine H&R'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 to differ materially from the forward-looking statements contained in this news release. None of the former trustees or officers of Finance Trust, 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 former trustees or officers to disclose events or facts which may have occurred or which may have affected the significance or accuracy of any such information. All forward-looking statements in this news release are qualified by these cautionary statements. These forward-looking statements are made as of November 12, 2018 and the REIT, except as required by applicable Canadian 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 REIT's Financial Statements are prepared in accordance with IFRS. H&R's 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 NAV, FFO, Payout Ratio per Unit, Same-Asset property operating income (cash basis) and the REIT's 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, 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 use these measures to better assess H&R's 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 H&R's MD&A for the three and nine months ended September 30, 2018, available at www.hr-reit.com and on www.sedar.com.

Additional information regarding H&R 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.