H&R REIT Reports Fourth Quarter and 2019 Annual Results

Toronto, Ontario, February 13, 2020 - H&R Real Estate Investment Trust ("H&R" or "the REIT") (TSX: HR.UN) is pleased to announce its financial results for the year ended December 31, 2019.

During 2019, H&R continued to actively reallocate capital through property dispositions to fund value-creating developments, expand its residential rental platform and strengthen the balance sheet. The REIT has completed approximately $1.8 billion of asset sales over the past two years, substantially repositioning the portfolio, enhancing the internal growth profile and reducing leverage.

FINANCIAL HIGHLIGHTS

	3 months ended December 31			Year ended December 31		
	2019	2018	Change	**2019**	2018	Change
Rentals from investment properties (millions)	**$282.2**	$297.4	(5.1%)	**$1,149.5**	$1,176.6	(2.3%)
Property operating income (millions)	**$184.8**	$192.0	(3.8%)	**$711.0**	$733.9	(3.1%)
Net income (millions)	**$163.4**	$61.1	167.4%	**$340.3**	$337.9	0.7%
Funds from operations ("FFO") (millions)[(1)]	**$133.7**	$130.5	2.5%	**$529.1**	$525.7	0.7%
FFO per Unit (basic)[(1)]	**$0.44**	$0.43	2.3%	**$1.76**	$1.74	1.1%
Distributions per Unit	**$0.35**	$0.35	-%	**$1.38**	$1.38	-%
Payout ratio per Unit (as a % of FFO)[(1)]	**77.9%**	79.7%	(1.8%)	**78.6%**	79.4%	(0.8%)
Net Asset Value ("NAV") per Unit as at December 31[(1)]	**$25.79**	$26.30	(1.9%)	**$25.79**	$26.30	(1.9%)

(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 year ended December 31, 2019 includes a reconciliation of net income to FFO as well as the calculation of NAV per Unit. Readers are encouraged to review the reconciliations and calculations in H&R's MD&A as well as the explanations for the changes.

Rentals from investment properties and property operating income have decreased due to approximately $1.8 billion of asset sales over the last two years compared to $645 million of property acquisitions during the same period. Notwithstanding these net asset dispositions, net income and FFO each increased 0.7% year over year.

SUMMARY OF SIGNIFICANT 2019 ACTIVITY

Developments

H&R's active development pipeline in the United States is currently comprised of six residential developments and one mixed-used development. As at December 31, 2019, the total development budget was U.S. $713.1 million, of which U.S. $452.9 million was included in properties under development with U.S. $260.1 million of budgeted costs remaining to complete, in each case at the REIT's proportionate share.

The largest current development project is River Landing, an urban in-fill mixed use development site in Miami, FL, which is adjacent to the Health District with approximately 1,000 feet of waterfront on the Miami River, two miles from downtown Miami. River Landing includes approximately 373,000 square feet of retail space, approximately 118,000 square feet of office space and 528 residential rental units. Construction is nearing completion with occupancy scheduled to commence in Q2 2020. The total cost of the project is expected to be approximately U.S. $467.9 million. As at December 31, 2019, approximately U.S. $367.0 million had been invested in the development.

In June 2019, construction commenced on the first phase of a 2.7 million square foot industrial development in Caledon, ON. The first phase consists of three buildings, which will total approximately 526,000 square feet upon completion. Subsequent to December 31, 2019, H&R completed a 10-year lease with Deutsche Post AG to occupy the largest of the three buildings totalling 342,821 square feet. The total budget for these three buildings is $83.0 million.

Office

In January 2019, H&R sold a 79,570 square foot single tenanted U.S. office property in Lithia Springs, GA for gross proceeds of U.S. $69.8 million, which was acquired in May 2011 for U.S. $60.8 million. The mortgage of U.S. $43.7 million was repaid at closing.

In June 2019, H&R sold The Atrium, a 1.1 million square foot office and retail complex in Toronto, ON for $640.0 million. The Atrium was acquired in June 2011 for $344.8 million. The sale price equated to a capitalization rate of 4.56%. The property was unencumbered and H&R provided the purchaser with a vendor take-back mortgage of $256.0 million, bearing interest at an annual rate of 4.56%, which was repaid on January 9, 2020. The net proceeds from the sale were used to repay debt including the repayment on maturity of H&R's Series M senior debentures on July 23, 2019.

H&R extended its office leases with Bell Canada at six office properties in Toronto, Montreal and Ottawa totaling 2,415,515 square feet for an additional 10 years effective January 1, 2019. As at December 31, 2019 the weighted average lease term to maturity for these leases is 15.6 years with annual contractual rental increases of 1.5% per annum. The cash rent received in 2019 decreased by $7.3 million compared to 2018 while the straight lining of the contractual rents added $10.1 million resulting in a net $0.01 positive impact to 2019 FFO per Unit. H&R will be responsible for certain capital expenditures at these properties. These lease extensions provide greater certainty and commitment to these properties. The new rental arrangement has been reset at current market levels and the built-in contractual rental growth will contribute meaningfully to H&R's organic growth for the next 15 years.

H&R extended two Calgary office leases with AltaLink, L.P. to 20-year terms effective March 1, 2019. Although the cash rent did not change as a result of the extended leases, the leases provide for future contractual rental escalations every three years. H&R's office portfolio in Calgary has a 100% occupancy rate with an average lease term to maturity of 17.0 years.

H&R has made significant leasing progress in its office portfolio having achieved a committed occupancy rate of 99.6% as at December 31, 2019.

Industrial

In June 2019, H&R sold its 50.5% ownership interests in two U.S. industrial properties (previously held through an equity accounted investment) for U.S. $20.1 million and repaid the two respective mortgages aggregating U.S. $13.8 million upon closing. In addition, H&R purchased the remaining 49.5% interest in 510 E. Courtland St., Morton, IL for U.S. $2.2 million. As H&R owns 100% of this property, it is now consolidated in the REIT's Financial Statements.

In August 2019, H&R signed a 12-year lease with Amazon.com, Inc. ("Amazon") at 7575 Brewster Ave., Philadelphia, PA commencing September 1, 2019 for 82,788 square feet, at H&R's ownership interest. The previous tenant vacated the premises in July 2019.

In September 2019, H&R sold its 50% ownership interest in a 139,694 square foot multi-tenanted industrial property in Kanata, ON for $24.3 million, at H&R's ownership interest.

In November 2019, H&R signed a 10-year lease with Amazon at 2121 Cornwall Rd., Oakville, ON commencing January 1, 2020 for 157,083 square feet, at H&R's ownership interest. The previous tenant had vacated the premises in April 2019.

As at December 31, 2019, a 363,983 square foot industrial property in Boucherville, QC was classified as held for sale for $17.1 million at H&R's ownership interest, pursuant to the exercise of a tenant option to purchase at a pre-determined price.

Committed occupancy for the Industrial segment was 98.9% compared to actual occupancy of 97.2% as at December 31, 2019.

Residential

In Q1 2019, Jackson Park, the 1,871 luxury residential rental unit development in Long Island City, NY in which H&R has a 50% ownership interest, reached substantial completion and was transferred from properties under development to investment properties. Average occupancy was 85.8% for 2019 and occupancy as at December 31, 2019 was 96.0%. Stabilized occupancy was achieved in Q3 2019.

In September 2019, H&R, together with its partners, secured a U.S. $1.0 billion interest-only first mortgage for Jackson Park (U.S. $500.0 million, at H&R's ownership interest) at a fixed rate of 3.25% for a 10-year term. Upon closing, Jackson Park's existing U.S. $640.0 million construction facility was discharged and the outstanding balance prior to this refinancing was repaid. After closing costs, H&R received a cash distribution of U.S. $194.8 million which was used to repay other debt.

Jackson Park's annualized unlevered yield on budgeted cost is expected to be 6.0%. The total cost is expected to be approximately U.S. $580.7 million (at H&R's ownership interest). As part of the New York City Brownfield Cleanup Program, H&R expects to receive approximately U.S. $49.9 million which will reduce the net budgeted cost to U.S. $530.8 million. With the new financing in place, the REIT's levered yield on its expected net cash investment of U.S. $30.8 million is approximately 50.4%.

In June 2019, H&R acquired 314 residential rental units at 3512 Grande Reserve Way in Orlando, FL at a purchase price, before transaction costs, of U.S. $74.7 million which equates to U.S. $238,000 per residential rental unit. The property was built in 2018.

In July 2019, H&R acquired 322 residential rental units at 2725 Reseda Place in Charlotte, NC at a purchase price, before transaction costs, of U.S. $62.8 million which equates to U.S. $195,000 per residential rental unit. The property was constructed in 2019 and occupancy was 47.2% upon acquisition. The property is currently in lease-up and is expected to be fully stabilized by Q3 2020.

In September 2019, H&R sold 12101 Fountainbrook Blvd., in Orlando, FL for U.S. $77.0 million, which was acquired in April 2015 for U.S. $53.3 million. The mortgage of U.S. $38.3 million was repaid upon the sale.

As at December 31, 2019, the residential portfolio consisted of 24 properties comprising 8,443 residential rental units at H&R's ownership interest. The portfolio is comprised of 11 properties in Texas, seven in Florida, five in North Carolina and one in Long Island City, NY.

During the year ended December 31, 2019, there were five properties (excluding Jackson Park) in lease-up with a weighted average occupancy rate of 81.9%. As at December 31, 2019, one property has reached stabilization, one property is targeted for stabilization in Q1 2020, two properties are targeted for stabilization in Q3 2020 and one property is targeted for stabilization in Q4 2020. For the three months and year ended December 31, 2019, the properties in lease-up contributed U.S. $2.8 million and U.S. $8.7 million, respectively, to property operating income (excluding non-cash items) and they are expected to contribute U.S. $13.5 million in 2020.

Subsequent to December 31, 2019, H&R sold two properties which were classified as held for sale as at December 31, 2019: (i) 12601 South Green Dr. in Houston, TX for U.S. $23.9 million, which was acquired in November 2014 for U.S. $16.7 million; and (ii) 8401 Memorial Lane in Plano, TX for U.S. $66.0 million, which was acquired in February 2015 for U.S. $52.3 million. The mortgage of U.S. $38.0 million was assumed by the purchaser upon closing.

Retail

During 2019, $123.3 million was invested in redevelopment at Primaris enclosed shopping centre properties primarily relating to the redevelopment of the former Sears stores and one remaining Target store. As each store is part of an existing property, they continue to be classified as investment properties. During the three months and year ended December 31, 2019, H&R capitalized $0.1 million and $1.2 million, respectively, of property operating costs and $1.3 million and $5.3 million, respectively, of finance costs attributable to the former Target and Sears space.

For the three months and year ended December 31, 2019, the lease-up of the former Target and Sears space generated net rent of $2.5 million and $8.2 million, respectively, and these tenants are expected to contribute approximately $12.5 million in 2020 and $16.3 million in 2021.

Committed occupancy for the Retail segment was 94.1% compared to actual occupancy of 91.5% as at December 31, 2019.

Mortgages Receivable

In December 2019, H&R issued a mortgage receivable for U.S. $124.1 million secured against 12.4 acres of land in Jersey City, NJ for a two-year term. The loan is expected to increase up to U.S. $160.0 million and bears interest at 10.0% per annum. The land is adjacent to Liberty State Park with views of downtown Manhattan and the Hudson River. The project is zoned for 1.7 million square feet of commercial space and 1,544 residential units, with a full residential development option encompassing 2,835 units. The location is accessible to multiple modes of transportation including the Grove Street PATH station 0.7 miles away with direct access to Manhattan (Penn Station and Wall St.) and an 11-minute ferry transit ride to Google's new Manhattan campus as well as access to Manhattan's lower west side. The REIT has an option to convert its loan into an 80% equity ownership interest.

Debt Highlights

As at December 31, 2019, debt to total assets was 44.4% compared to 44.6% as at December 31, 2018. Subsequent to December 31, 2019, the $256.0 million mortgage receivable secured by The Atrium was received, reducing proforma debt to total assets to 43.4%. The weighted average interest rate of H&R's debt as at December 31, 2019 was 3.8% with an average term to maturity of 3.9 years.

Mortgages:
During 2019, H&R secured 10 new mortgages (excluding Jackson Park's mortgage described above) totalling $229.1 million at a weighted average interest rate of 3.6% for an average term of 9.4 years and repaid eight mortgages totalling $499.8 million at an interest rate of 4.4%.

Debentures:
In March 2019, H&R repaid all of its Series K senior debentures upon maturity for a cash payment of $200.0 million. In July 2019, H&R repaid all of its Series M senior debentures upon maturity for a cash payment of $150.0 million.

Unsecured Term Loan:
In March 2019, H&R borrowed $250.0 million by way of a new unsecured term loan maturing in March 2024. Through an interest rate swap, H&R fixed the interest rate at 3.3% per annum. This is H&R's third unsecured term loan which demonstrates H&R's creditworthiness and access to multiple sources of capital.

Lines of Credit:
In December 2019, H&R, through Primaris, extended the maturity date of its $300.0 million secured operating facility which was originally due in July 2020 to December 2021.

As at December 31, 2019, H&R had $290.6 million of unused borrowing capacity available under its lines of credit.

Monthly Distribution Declared

H&R previously declared a distribution for the month of February and today declared a distribution for the month of March scheduled as follows:

	Distribution/Unit	Annualized	Record date	Distribution date
March 2020	$0.115	$1.380	March 17, 2020	March 31, 2020

Conference Call and Webcast

Management will host a conference call to discuss the financial results for the REIT on Friday, February 14, 2020 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 2744966 followed by the pound key. The telephone replay will be available until Friday, February 21, 2020 at midnight.

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.

The investor presentation is available on H&R's website at www.hr-reit.com/Investor-Relations/Investorinformation.aspx.

About H&R REIT

H&R REIT is one of Canada's largest real estate investment trusts with total assets of approximately $14.5 billion at December 31, 2019. 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, 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 heading "Summary of Significant 2019 Activity" including with respect to the annual base rent from former Target and Sears space in 2020, the expected Brownfield tax credit to be received from Jackson Park, the expected total cost, levered yield on the REIT's expected net cash investment and yield on budgeted cost from Jackson Park, the expected increase in H&R's mortgage receivable, the expected contribution of certain properties to the REIT's property operating income, the timing of stabilization, the expected total cost of River Landing and the REIT's proforma debt to total assets. 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 other 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 are not 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 and climate change risk; co-ownership interest in properties; joint arrangement and investment risks; unit price risk; availability of cash for distributions; ability to access capital markets; dilution; unitholder liability; redemption right risk;

risks relating to debentures, the inability of the REIT to purchase senior debentures on a change of control; tax risk, U.S. tax reform 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. All forward-looking statements in this news release are qualified by these cautionary statements. These forward-looking statements are made as of February 13, 2020 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 International Financial Reporting Standards ("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 as at and for the year ended December 31, 2019, 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.