



H&R Acquires Corus Quay, Reports Solid Q4 Results and Increases Distributions for the 9th Consecutive Quarter



Toronto, Ontario, March 12, 2012 - H&R Real Estate Investment Trust (the “REIT”) is pleased to announce that on March 9, 2012 it purchased Corus Quay, a 485,000 square foot LEED Gold, State-of-the-Art office property located at 25 Dockside Drive in downtown Toronto for \$186.0 million before closing costs.

Completed in 2009, the eight-storey property is one of the most ambitious and technologically sophisticated facilities of its kind. The property is situated directly on the City’s waterfront and only minutes from the financial core. Corus Quay is the anchor project in the revitalization of downtown Toronto’s East Bayfront area. The new 3,500 student George Brown Campus is directly adjacent to the property.

Corus Quay’s principal tenant is Corus Entertainment Inc., a leading Canadian-based media and entertainment company with a market capitalization of approximately \$1.8 billion. The Corus lease has a



remaining term of 20 years. The REIT has secured a \$60.0 million, interest only, non-recourse mortgage for a term of 20 years. The interest rate will be at a spread of 2.30% over the 20-year Government of Canada bond. The REIT has also secured a \$37.0 million non-recourse, first mortgage on this property on a pari passu basis for a term and rate to be determined. Funding of these mortgages is expected to occur before the end of the first quarter in 2012.

Tom Hofstedter, President and CEO of the REIT stated: "This acquisition presents a truly rare opportunity to acquire a recently completed, best in class, LEED Gold office property in downtown Toronto with a long-term, triple-net lease secured by an investment grade tenant at a 6.4% capitalization rate, with contracted rental escalations throughout the term".

The REIT and H&R Finance Trust (collectively, "H&R") (TSX: HR.UN; HR.DB; HR.DB.B; HR.DB.C; HR.DB.D, HR.DB.E) announced their financial results for the year ended December 31, 2011.

Financial Highlights

The following table includes non-Generally Accepted Accounting Principles ("GAAP") information that should not be construed as an alternative to comprehensive income (loss) or cash provided by operations and may not be comparable to similar measures presented by other issuers as there is no standardized meaning of funds from operations ("FFO"), and adjusted funds from operations ("AFFO") under GAAP. Management believes that these are meaningful measures of operating performance. Readers are encouraged to refer to H&R's combined MD&A for further discussion of non-GAAP information presented. The financial results for the year ended December 31, 2011 have been prepared in accordance with International Financial Reporting Standards. Prior year's results have been restated to conform to this change.

	3 months ended December 31		Year ended December 31	
	2011	2010	2011	2010
Rentals from investment properties (millions)	\$178.2	\$160.7	\$656.9	\$617.4
Net income (loss)	(\$61.3)	\$60.7	(\$25.3)	\$496.6
FFO (millions) ⁽¹⁾	\$67.8	\$61.6	\$271.9	\$214.9
FFO per Stapled Unit (basic)	\$0.40	\$0.41	\$1.70	\$1.43
AFFO (millions) ⁽¹⁾	\$60.2	\$55.4	\$237.5	\$217.3
AFFO per Stapled Unit (basic)	\$0.36	\$0.37	\$1.49	\$1.45
Cash provided by operations (millions)	\$104.2	\$125.1	\$404.7	\$399.8
Cash distributions paid (millions) ⁽²⁾	\$31.6	\$28.5	\$119.4	\$103.7
Distributions per Stapled Unit	\$0.26	\$0.22	\$0.98	\$0.79

⁽¹⁾ H&R's MD&A includes reconciliations of: net income (loss) to FFO; FFO to AFFO; and AFFO to cash provided by operations. Readers are encouraged to review such reconciliations in the MD&A.

⁽²⁾ Cash distributions paid exclude distributions reinvested in units pursuant to H&R's unitholder distribution reinvestment plan and include the distributions paid to the Class B Limited Partnership unitholders who can exchange their units for Stapled Units.

Under IFRS at each reporting period, the REIT fair values its convertible debentures and exchangeable units using the closing market ask price to value its convertible debentures and the Stapled Units ask price to value its exchangeable units. The increase in the Stapled Unit ask price from \$19.43 per unit as at December 31, 2010 to \$23.30 as at December 31, 2011 resulted in a loss on change in fair value during the year ended December 31, 2011. Excluding the gain (loss) on change in fair value and the income tax recovery recorded in the second quarter of 2010, net income (loss) would have been \$7.9 million for the three months ended December 31, 2011 (2010 - \$50.0 million) and \$83.1 million for the year ended December 31, 2011 (2010 - \$119.7 million).



Included in AFFO were additional recoveries for capital and maintenance expenditures in excess of items expensed in property operating costs of \$4.4 million for the three months ended December 31, 2011 (2010 - \$2.3 million) and \$7.1 million for the year ended December 31, 2011 (2010 - \$9.9 million).

Included in AFFO were capital and tenant expenditures of \$9.2 million for the three months ended December 31, 2011 (2010 - \$4.7 million) and \$21.1 million for the year ended December 31, 2011 (2010 - \$20.9 million).

Excluding these two items, AFFO would have been \$65.0 million (\$0.39 per Stapled Unit) compared to \$57.8 million (\$0.38 per Stapled Unit) for the three months ended December 31, 2011 and 2010, respectively, and \$251.5 million (\$1.58 per Stapled Unit) compared to \$228.3 million (\$1.52 per Stapled Unit) for the year ended December 31, 2011 and 2010, respectively.

Operating Highlights

The REIT's operating strategy is to stabilize annual earnings and minimize market risk by leasing and financing its properties on a long-term basis. As a result, the average remaining term to maturity as at December 31, 2011 was 11 years for leases and 7.7 years for outstanding mortgages. Leases representing only 2.0% of total rentable area will expire during 2012. As at December 31, 2011, the ratio of H&R's debt to fair market value was 53.6% compared to 52.7% as at December 31, 2010.

Capital Transaction Highlights

During the fourth quarter 2011, the REIT:

- purchased a 115,396 square foot retail property in New Jersey, US for U.S. \$16.5 million at a capitalization rate of 7.75%;
- purchased a recently completed Class A LEED Gold office tower in Long Island City, New York for U.S. \$415.5 million at a capitalization rate of 5.85%, fully leased to the City of New York for a term of 20 years. The REIT secured a U.S. \$250.0 million mortgage on this property for a 10-year term, at a rate of 4.25%; and
- purchased a recently completed LEED Platinum office tower in Houston, Texas for U.S. \$442.5 million at a capitalization rate of 6.6%, fully leased to Hess Corporation on a long-term lease.

Subsequent to December 31, 2011, the REIT:

- received a mortgage for U.S. \$250.0 million for Hess Tower in Houston, Texas, bearing interest at a rate of 4.50% per annum for an 8-year term;
- refinanced three U.S. mortgages totaling U.S. \$72.6 million bearing interest at a rate of 5.94% per annum, with three new non-recourse U.S. mortgages totaling \$61.0 million, bearing interest at a rate of 4.50% per annum for a 10-year term; and
- refinanced ten Canadian mortgages totaling \$28.5 million bearing interest at a rate of 7.74% per annum, with ten new mortgages totaling \$62.9 million, bearing interest at a rate of 3.99% per annum for a 10-year term.

Development Highlights

The REIT is currently developing the Bow in Calgary, AB. The Bow is a 2-million square foot head office complex pre-leased, on a triple net basis, to EnCana Corporation for a term of 25 years. The total annualized year one projected income from the Bow is expected to be approximately \$93.5 million. Rent escalations will be 0.75% per annum on the office space and 1.5% per annum on the parking income for the full 25-year term. Occupancy is currently expected to occur in tranches commencing on April 2, 2012 with full occupancy expected by the fourth quarter of 2012. The North Block budget has been revised to \$1.63 billion to reflect IFRS changes and costs associated with the revised estimated occupancy



tranches. As at December 31, 2011, the REIT had incurred approximately \$1.29 billion of the \$1.40 billion budgeted costs (excluding interest costs capitalized for accounting purposes).

Distribution Policy Adopted

H&R previously announced that the trustees have adopted a distribution policy pursuant to which the monthly combined distribution is intended to be increased as shown in the following table:

Distribution Period	Intended Monthly Distribution Per Stapled Unit	Intended Annualized Distribution Per Stapled Unit
Q1 2012 (January, February and March)	\$0.09167	\$1.10
Q2 2012 (April, May and June)	\$0.09583	\$1.15
Q3 2012 (July, August and September)	\$0.10000	\$1.20
Q4 2012 (October, November and December)	\$0.10417	\$1.25

The trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate. As all distributions remain subject to the discretion, approval and declaration by the REIT's trustees, there is no assurance that the actual distributions declared will be as provided in the distribution policy.

Monthly Distributions Declared

The next declared distributions are scheduled as follows:

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
March 2012	\$0.09167	\$1.10	March 16, 2012	March 30, 2012
April 2012	\$0.09583	\$1.15	April 16, 2012	April 30, 2012
May 2012	\$0.09583	\$1.15	May 16, 2012	May 31, 2012

About the REIT and H&R Finance Trust

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 40 office, 117 industrial and 133 retail properties comprising over 43 million square feet, with a net book value of approximately \$6.0 billion. The foundation of the REIT's success since inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. The REIT leases its properties long term to creditworthy tenants and strives to match those leases with primarily long-term, fixed-rate financing.

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 the REIT. The current note receivable is U.S. \$142.8 million. In 2008, the REIT completed an internal reorganization which resulted in each issued and outstanding REIT unit trading together with a unit of H&R Finance Trust as a "Stapled Unit" on the Toronto Stock Exchange.

Forward-looking Statements

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 relating to the objectives of the REIT and H&R Finance Trust, strategies to achieve those objectives, H&R's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts including, in particular, the REIT's expectation regarding future developments in connection with *The Bow*, and the amount of actual distributions to unitholders notwithstanding the trustees adoption of a distribution policy. 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. These statements are not guarantees of future performance and are based on H&R's estimates and assumptions that are subject to risk and uncertainties, including those discussed in H&R's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of H&R to differ materially from the forward-looking statements contained in this news release. Those risks and uncertainties include, among other things, risks related to: prices and market value of securities of H&R; availability of cash for distributions; development and financing relating to *The Bow* development; restrictions pursuant to the terms of indebtedness; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; dilution; lease rollover risk; construction risks; currency risk; unitholder liability; co-ownership interest in properties; competition for real property investments; environmental matters; reliance on one corporation for management of substantially all the REIT's properties; and changes in legislation and indebtedness of H&R. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is stable; local real estate conditions are stable; interest rates are relatively stable; and equity and debt markets continue to provide access to capital. H&R cautions that this list of factors is 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. All forward-looking statements in this news release are qualified by these cautionary statements. These forward-looking statements are made as of today, and H&R, except as required by applicable law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

Additional information regarding the REIT 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 Real Estate Investment Trust, 416-635-7520, or e-mail info@hr-reit.com.