H&R REIT ANNOUNCES INTERNALIZATION OF PROPERTY MANAGEMENT

TORONTO, JULY 30, 2013 – H&R Real Estate Investment Trust ("**H&R REIT", "H&R"** or the **"REIT")** (TSX: HR.UN; HR.DB.D; HR.DB.E and HR.DB.H) announced today that it has entered into an agreement with H&R Property Management Ltd., the REIT's external property manager (the **"Property Manager"**), to internalize the REIT's property management function (the **"Internalization"** or the **"Transaction"**). Closing is expected to occur in September 2013 with economic effect from July 1, 2013.

Upon closing of the Transaction, a subsidiary of the REIT will acquire the Property Manager's REIT-related property management business in return for 9.5 million limited partnership units of that subsidiary, such units to be exchangeable on a one-for-one basis for stapled units of the REIT and H&R Finance Trust. The terms of the Transaction were negotiated and unanimously recommended for approval by the independent trustees of the REIT (the "**Independent Trustees**").

The Independent Trustees and the Property Manager have been discussing the amendment, replacement or termination of the existing property management agreement for several months. Given H&R's recent acquisition of Primaris Retail Real Estate Investment Trust ("**Primaris**") and the inherent potential conflicts between the REIT and the Property Manager that now exist as a result of Primaris' internal management structure and other financial benefits as noted below, it became clear to the Independent Trustees that internalizing the property management business at an appropriate price was in the best interests of H&R and its unitholders. The consideration being paid for the Property Manager's H&R-related property management business closely approximates the amount that would otherwise have been payable to the Property Manager, net of the Property Manager's costs, under the current property management agreement (based upon certain assumptions considered by the Independent Trustees to be reasonable) which expires in January 2020. The REIT will incur a one-time charge equal to the value of the issued units on closing.

The Independent Trustees considered a number of factors in recommending approval of the Internalization, including the key reasons set forth below.

Key Reasons for Internalization:

- Results in the internalization of the existing management contract which was negotiated at a time when the REIT was significantly smaller and the fixed costs of management relative to the size of the REIT's balance sheet were higher.
- Eliminates any potential management conflict resulting from the Primaris acquisition. Currently owned Primaris properties and any enclosed shopping centers acquired by H&R in the future would be internally managed, while existing office and industrial properties and those acquired in the future would have been subject to the external property management agreement and its associated fees.
- Eliminates exposure to acquisition fees payable to the Property Manager at a time when the REIT has the size, breadth and balance sheet strength to be a significant acquirer and consolidator both in Canada and the U.S.
- Responds to the market's preference for internally managed REITs.
- Reduces the REIT's property operating expenses and increases the REIT's net operating income. The REIT will save fees previously payable to the Property Manager and expects to incur approximately $5 million annually of additional salaries and overhead as a result of the Internalization.
- The purchase price associated with the Internalization does not utilize existing cash resources of the REIT and the Property Manager has agreed to hold the exchangeable units, or stapled units into which they are exchangeable, which it will receive for five years, subject to limited exceptions.

Commenting on the Internalization, Independent Trustee Mr. Ronald Rutman stated:

"After considerable deliberation over the last few months, the Board of Trustees has unanimously decided that it is in the best interests of H&R and its unitholders to fully internalize property management and remove any potential conflict between the REIT and the Property Manager going forward". Mr. Rutman added; "The Independent Trustees felt strongly that this was the right window of opportunity to eliminate the existing management contract. The consideration being paid is fair and this transaction should positively affect the trading price of H&R's stapled units and allow for an increased valuation multiple."

Internal Property Management Team

Upon closing of the Transaction, the REIT's subsidiary will hire those individuals at the Property Manager who are currently providing the various property management services for the REIT's properties. Certain office equipment used in the business and an office lease will also be transferred and assigned to the REIT's subsidiary.

The Exchangeable Limited Partnership Units

The exchangeable limited partnership units to be issued to the Property Manager at closing will carry an entitlement to distributions equal to the distributions paid on H&R's stapled units. In order to provide the Property Manager with a voting entitlement approximately equivalent to the stapled units, the REIT has also agreed to seek the approval of the REIT's unitholders at the next annual meeting of unitholders to authorize the issuance to the Property Manager of 9.5 million special voting units of the REIT (which would be transferrable only together with the accompanying limited partnership units). The special voting units would entitle the Property Manager to one vote per special voting unit at meetings of the unitholders of the REIT. The Property Manager has agreed to hold the exchangeable limited partnership units, or the stapled units into which they are exchangeable, until the fifth anniversary of the Transaction, subject to early release in the event of certain "change of control" transactions affecting the REIT.

The Toronto Stock Exchange ("Exchange") has conditionally approved listing of the 9.5 million stapled units issuable upon exchange of the exchangeable limited partnership units, subject to satisfaction of the Exchange's standard listing requirements.

Financial Advisor and Counsel

The Independent Trustees engaged Trimaven Capital Advisors Inc. to act as financial advisor and Osler, Hoskin & Harcourt LLP as independent counsel in connection with the Internalization. Blake, Cassels & Graydon LLP acts as counsel to H&R in connection with the Internalization.

About H&R REIT

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 41 office, 112 industrial and 165 retail properties comprising over 53 million square feet and 2 development projects, with a fair value of approximately $13 billion. The foundation of H&R REIT's success since inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. H&R REIT leases its properties for long terms to creditworthy tenants and strives to match those leases with primarily long-term, fixed-rate financing.

About H&R Finance Trust

H&R Finance Trust is an unincorporated investment trust, which invests in notes issued by a U.S. corporation which is a subsidiary of H&R REIT. The current note receivable is U.S. $216.6 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 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 H&R REIT, strategies to achieve those objectives, H&R REIT's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. 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 REIT'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 REIT's estimates and assumptions that are subject to risk and uncertainties, including those discussed in H&R REIT's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of H&R REIT 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 REIT; availability of cash for distributions; 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 H&R REIT's properties; and changes in legislation and indebtedness of H&R REIT. 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 REIT 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 REIT 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 REIT, 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 H&R 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.