



H&R REIT AND ITS PROPERTY MANAGER AGREE TO FEE WAIVER FOR PRIMARIS TRANSACTION

DBRS CONFIRMS H&R REIT SENIOR UNSECURED DEBENTURE RATING

Toronto, January 24, 2013 – H&R Real Estate Investment Trust (TSX: HR.UN) (“H&R REIT”) is pleased to announce that, in connection with its agreement to acquire Primaris Retail Real Estate Investment Trust (“Primaris”), H&R REIT and its property manager have agreed to the following changes to the current omnibus property management agreement between the parties:

- the property manager has waived, in whole, its entitlement to the acquisition fee that would otherwise be payable upon completion of the acquisition;
- the property manager has confirmed that no property management fees relating to the Primaris properties will be payable to the property manager as it is expected that the Primaris properties will be internally managed by the existing Primaris management team; and
- the property manager has further agreed with H&R REIT that, following H&R REIT’s acquisition of Primaris, no acquisition fees or property management fees will be payable to the property manager by H&R REIT in connection with the future acquisition by H&R REIT of enclosed shopping centers in Canada.

H&R REIT is also pleased to announce that DBRS Limited has completed its review of the Primaris transaction and confirmed on January 17, 2013 that H&R REIT’s senior unsecured debentures remain rated at BBB with a stable trend.

The Primaris transaction provides H&R REIT unitholders with the following benefits:

- *High-Quality Portfolio of Scarce Retail Assets:* The transaction is a unique opportunity to acquire a professional retail platform, with an irreplaceable Canadian enclosed shopping centre portfolio.
- *Increased Scale:* The transaction creates the largest REIT in Canada by enterprise value. The increased scale will provide more stability in volatile markets and further improve H&R’s cost of capital. In addition, the increased market capitalization will result in substantially enhanced liquidity for unitholders.
- *Improved Portfolio Diversification:* The addition of Primaris’ retail properties will broaden H&R REIT’s portfolio diversification geographically, by asset class and by tenant base.
- *Strong Financial Metrics:* The REIT’s balance sheet will be deleveraged to 51.9 per cent Debt/FV (assuming full take-up of the cash consideration). With expected savings from synergies of up to \$10 million over the next two years, the transaction will be accretive to FFO.
- *Complimentary Management Styles:* The transaction combines two businesses having similar philosophies with respect to asset and tenant quality and their disciplined approach to real estate investing.

The Primaris transaction, structured as a plan of arrangement, is subject to various closing conditions, including the approval of 66 2/3 per cent of Primaris units voted at a special meeting of Primaris unitholders and a majority of H&R units voted at a special meeting of H&R unitholders.

Each of H&R and Primaris will prepare and mail meeting circulars to their respective investors in early February and the special unitholder meetings will be held in mid-March. The Boards of Trustees of each of H&R and Primaris have unanimously agreed to recommend that their respective unitholders vote in favour of the transaction.

Assuming the requisite approvals and consents are received and other conditions are met or waived, the plan of arrangement is expected to be completed by late March.

About H&R REIT

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 42 office, 115 industrial and 138 retail properties comprising over 45 million square feet and 2 development projects, with a fair value of approximately \$10 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 long term to creditworthy tenants and strives to match those leases with primarily long-term, fixed-rate financing.

Forward-looking Statements

Certain statements in this news release contain forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, in particular, (i) that Primaris and H&R will complete the proposed Arrangement in accordance with the terms and conditions of the Arrangement Agreement, and (ii) the accuracy of management's assessment of the effects of the successful completion of the proposed Arrangement. Readers are cautioned not to place undue reliance on forward looking statements. H&R has tried to identify these forward looking statements by using words such as "may", "will", "should", "expect", "anticipate", "believe", "intend", "plan", "estimate", "potentially" and similar expressions. Such forward-looking statements reflect current beliefs of H&R and are based on information currently available to management of H&R. These statements are not guarantees of future performance and are based on estimates and assumptions of H&R that are subject to risks and uncertainties, including those discussed in materials of H&R 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 of H&R; 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 of the properties of H&R REIT 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.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. The distribution of this press release outside of Canada may be restricted by law and therefore persons outside of Canada into whose possession

this press release comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any applicable jurisdiction.

Non-GAAP Measures

The foregoing includes a reference to a non-Generally Accepted Accounting Principles ("GAAP") measure 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 FFO under GAAP. Management believes that this is a meaningful measure of operating performance. Readers are encouraged to refer to H&R's combined MD&A for further discussion of non-GAAP measures presented.

For more information, please contact:

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