



**H&R REIT TO ACQUIRE ATRIUM ON BAY IN DOWNTOWN TORONTO;
PROVIDES IFRS UPDATE ON VALUATION OF INVESTMENT PROPERTIES**

Toronto, Ontario, January 4, 2011 - H&R Real Estate Investment Trust (TSX: HR.UN) (“H&R REIT”) is pleased to announce that it has entered into an agreement to purchase 595 Bay Street, 20 & 40 Dundas Street West and 306 Yonge Street in Toronto, which are collectively known as the “Atrium on Bay” property for a total purchase price of \$344.8 million. The year 1 capitalization rate is expected to be approximately 6.5% and it is anticipated that the acquisition will close by April 2011.

The property comprises 915,378 sq.ft. of ‘Class A’ office space and 135,929 sq.ft. of prime retail premises. CIBC, Legal Aid Ontario, Public Guardian & Trustee, Land Registry Office, Hydro One Networks, Hunter Keity Muntz & Beatty, University Health Network and other government tenants comprise approximately 75% of the total rental area. The property is 98% occupied and has an average lease term to expiry of 5 years.

The property has one of the largest floor plates in downtown Toronto, which can accommodate office tenants requiring premises from 1,500 sq.ft. to 88,000 sq.ft. on a single floor. In addition to having direct underground access to the subway and the PATH, the property is in close proximity to City Hall, Queen’s Park, the provincial court buildings, the major downtown hospitals and Ryerson University.

The purchase price will be satisfied by the assumption of a non-recourse, \$190-million mortgage having a remaining term to maturity of approximately 7 years, with the balance of the purchase price currently expected to be paid in cash drawn from H&R REIT’s operating facility.

H&R REIT President and CEO Tom Hofstедter said, “Below market rents, excess density for expansion of the office space, investment grade institutional tenants, and increasing demand for efficient, well priced and strategically located office and retail space are some of the primary reasons why we feel confident that the Atrium on Bay will provide our unitholders with reliable and increasing returns on their investment and will be a prestigious addition to our portfolio of high quality properties.”

IFRS Update

International Financial Reporting Standards (“IFRS”) became effective on January 1, 2011. As a result, H&R REIT’s 2011 financial statements will include 2010 comparative figures under IFRS. H&R REIT’s first reporting period under IFRS will commence with the interim financial statements for the three months ending March 31, 2011. For the purpose of its transition to IFRS, H&R REIT will disclose the fair value of its investment properties at January 1, 2010 and September 30, 2010 in the notes to its financial statements as follows:

	January 1, 2010 (billions)	September 30, 2010 (billions)
Net Book Value of income-producing properties as reported under Canadian GAAP ¹	\$4.1	\$4.1
IFRS note disclosure to be reported	\$5.1	\$5.3
Increase in value of income-producing properties	\$1.0	\$1.2

¹ These amounts include tenant inducements, deferred leasing costs and intangible liabilities.



The majority of H&R REIT's portfolio (i.e. 268 properties) was appraised by a leading independent national real estate appraisal firm as at January 1, 2010. The fair value of these properties was appraised at \$4.9 billion. The 13 remaining properties were valued internally by H&R REIT as at January 1, 2010. The September 30, 2010 fair values were all internally valued.

Based on the foregoing, the total weighted average overall capitalization rate ("OCR") was determined to be 7.71% on January 1, 2010 and 7.45% on September 30, 2010. More specifically, weighted average OCRs by geographic segments were as follows:

	January 1, 2010	September 30, 2010
Canadian - aggregated capitalization rate	7.48%	7.28%
United States - aggregated capitalization rate	8.60%	8.15%

H&R REIT will elect to use the cost model to value its investment properties when preparing financial statements as part of the first-time adoption of IFRS. However, as provided under IFRS, H&R REIT will elect to use fair value as the deemed cost for 13 of its properties. This election will result in a net increase to investment properties on the balance sheet as at January 1, 2010 of approximately \$531 million, net of impairments.

About H&R REIT and H&R Finance Trust

H&R REIT is an open-ended real estate investment trust, which owns a North American portfolio of 35 office, 118 industrial and 130 retail properties comprising over 39 million square feet, with a net book value of \$4.1 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 strives to lease its properties long term to creditworthy tenants and 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 an H&R REIT subsidiary. 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.

Additional information regarding H&R REIT and H&R Finance Trust is available at www.hr-reit.com and on www.sedar.com.

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 and H&R Finance Trust (together, "H&R"), 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, H&R REIT's expectation regarding its acquisition of the "Atrium on Bay" property and H&R's expectation concerning disclosure under and transition to IFRS. 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 H&R REIT's properties; 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 is 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.

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