H&R Reports Solid Q1 Results and Increases Distributions for the 10th Consecutive Quarter

Toronto, Ontario, May 15, 2012 - H&R Real Estate Investment Trust ("H&R 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 first quarter ended March 31, 2012.

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.

	3 months ended March 31	
	2012	2011
Rentals from investment properties (millions)	$186.3	$153.3
Net income (loss)	$16.8	($31.3)
FFO (millions) (1)	$72.4	$75.7
FFO per Stapled Unit (basic)	$0.40	$0.50
AFFO (millions) (1)	$71.2	$56.6
AFFO per Stapled Unit (basic)	$0.40	$0.37
Cash provided by operations (millions)	$143.2	$94.6
Cash distributions paid (millions) (2)	$35.1	$26.2
Distributions per Stapled Unit	$0.28	$0.23

(1) H&R's MD&A includes reconciliations of: net earnings 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 International Financial Reporting Standards at each reporting period, H&R REIT fair values its convertible debentures and exchangeable units using the closing market prices. This resulted in a gain (loss) on change in fair value of $4.6 million for the three months ended March 31, 2012 (2011 - ($56.9 million)). For the three months ended March 31, 2011, there was a gain on extinguishment of debt of $14.8 million. Excluding the gain (loss) on change in fair value and the gain on extinguishment of debt, net income (loss) would have been $12.1 million for the three months ended March 31, 2012 (2011 - $10.8 million).

Included in AFFO were capital and tenant expenditures of $2.2 million for the three months ended March 31, 2012 (2011 - $5.6 million). Excluding these capital and tenant expenditures, AFFO would have been $73.5 million ($0.41 per Stapled Unit) for the three months ended March 31, 2012 compared to $62.2 million ($0.41 per Stapled Unit) for the three months ended March 31, 2011.

Operating Highlights
H&R 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 March 31, 2012 was 11.0 years for leases and 8.0 years for outstanding mortgages. Leases representing only 2.0% of total rentable area will expire during the remainder of 2012. As at March 31, 2012, the ratio of H&R's debt to fair market value was 52.6% compared to 53.6% as at December 31, 2011.

Capital Transaction Highlights
During the first quarter 2012, H&R REIT purchased a 485,000 square foot state-of-the-art LEED Gold office building in downtown Toronto for $186.0 million at a capitalization rate of 6.4% leased to Corus Entertainment Inc. for 20 years with contractual rental escalations throughout the term. The property was financed with a $60.0 million, non-recourse, interest only mortgage for a term of 20 years at an interest rate of 4.91% and another $37.0 million, *pari passu*, non-recourse mortgage for a 10-year term at an interest rate of 4.14%.

Subsequent to March 31, 2012, H&R REIT completed a public offering of $175.0 million of 4.45% Series F senior debentures due March 2, 2020.

Development Highlights
The REIT is currently developing the Bow project in Calgary, Alberta. 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 Bow's first two tranches (floors 3 to 22) were delivered to Encana Corporation on May 2, 2012. Delivery of further tranches will occur throughout 2012. Encana Corporation is entitled to a 60-day rent free fixturing period and a rent credit equal to the delay penalty estimated to be $29.2 million. This rent free period combined with the interest expense that will no longer be capitalized, as tranches of the project become available for their intended use, will result in an estimated FFO gain of $4.8 million (AFFO loss of $32.1 million) in 2012 as shown in the table below. These estimates do not include any potential mortgage financing on the Bow:

	Q2 2012	Q3 2012	Q4 2012	Total
Contractual rent	$ -	$ -	$ -	$ -
Straight-lining of contractual rent	5.8 million	10.8 million	20.3 million	36.9 million
Interest expense no longer capitalized	(4.9 million)	(9.6 million)	(17.6 million)	(32.1 million)
Expected Bow FFO	$0.9 million	$1.2 million	$2.7 million	$4.8 million
Expected Bow AFFO	($4.9 million)	($9.6 million)	($17.6 million)	($32.1million)

Upon full occupancy, the building is expected to generate approximately $93.5 million of net operating income on an annualized basis and the REIT will have additional annual interest expense, due to interest expense no longer being capitalized to the project, of approximately $62.0 million. Rent escalations will be at 0.75% per annum on the office space and 1.5% per annum on the parking income for the full 25-year term.

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
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 H&R REIT's trustees, there is no assurance that the actual distributions declared will be as provided in the distribution policy.

June's Monthly Distributions Declared
June's declared distribution is scheduled as follows:

	Distribution/Stapled Unit	Annualized	Record date	Distribution date
June 2012	$0.09583	$1.15	June 15, 2012	June 29, 2012

2012 Annual and Special Unitholders' Meeting
H&R will host their Annual and Special Unitholders' meeting this year on Monday, June 18 at 1:00pm at the TSX Gallery, 130 King Street West, Toronto, Ontario.

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 40 office, 117 industrial, 133 retail properties comprising over 43 million square feet, and 3 development projects with a total net book value of approximately $7.6 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.

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 H&R REIT. The current note receivable is U.S. $150.9 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 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, H&R REIT's expectation regarding future developments in connection with and financial impact of *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 H&R 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 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 REIT, 416-635-7520, or e-mail info@hr-reit.com.

--30--