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**H&R REIT AGREES TO ISSUE \$200 MILLION DEBENTURES AND
DECREASES MONTHLY CASH DISTRIBUTIONS**

TORONTO, Ontario, December 23, 2008 - H&R Real Estate Investment Trust (the “REIT”; TSX: HR.UN, HR.DB) announced today that it has entered into an agreement with Fairfax Financial Holdings Limited (“Fairfax”), pursuant to which Fairfax has agreed to purchase, at par on a private placement basis, \$200 million of 11.5% debentures (the “Debentures”) due on the fifth anniversary of the issue date with interest payable semi-annually (the “Private Placement”). Completion of the Private Placement is subject to the satisfaction of certain conditions.

The Debentures will be redeemable after the fourth anniversary of the issue date, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Debentures will require the REIT, at the holders’ option, to effect repurchases upon a change of control at 101% of the principal amount plus accrued and unpaid interest, and will contain similar covenants, events of defaults and remedies as the REIT’s outstanding convertible debentures. Furthermore, the Debentures will be unsecured and will rank equally with the REIT’s current and future unsecured debt including the REIT’s outstanding convertible debentures.

Contemporaneously with the issue of these Debentures, Fairfax will be granted warrants to purchase 28,571,428 stapled units at an exercise price of \$7.00 per stapled unit (or net proceeds of approximately \$200 million if exercised in full) which are exercisable for a period of 5 years from the date of grant.

The Private Placement is conditional upon, among other things, the occurrence of the following events by closing: (i) receipt by the REIT of construction financing commitments of no less than \$400 million for the development of “The Bow” in Calgary; (ii) monthly unitholder cash distributions of \$0.06 per stapled unit will be maintained until closing; and (iii) TSX approval. Closing of the Private Placement is expected to occur on the second business day following satisfaction of all conditions to the Private Placement and if conditions are not satisfied or waived within 120 days from the date hereof, the Private Placement will be cancelled.

The REIT also announced that coincident with arranging the above-noted Private Placement, it will reduce its monthly cash distributions to unitholders by half to \$0.06 per stapled unit (or \$0.72 per stapled unit on an annualized basis) commencing with the January 2009 distribution. The cashflow retained from the reduced distribution will be used to finance construction of The Bow. The new distribution level represents an annual yield of approximately 11.4% based on the December 23, 2008 stapled unit closing price of \$6.30 on the Toronto Stock Exchange (“TSX”). Cash distributions of \$0.06 per stapled unit for the next two months will be scheduled as follows:

	Record date	Distribution date
January 2009	January 19	January 30
February 2009	February 13	February 27

H&R CEO Tom Hofstedter said, “We are pleased to have Fairfax return as a substantial investor and we are highly confident that with Fairfax’s financial endorsement and the capital retained from reduced distributions, we will be able to secure construction financing for The Bow by the end of the first quarter of 2009. Discussions are ongoing with our proposed lead banker for construction financing and we are currently assembling certain documentary and diligence materials in furtherance of these discussions. Aggressive steps are being taken with trades and suppliers to reduce project costs in light of recent construction market softness so as to improve project returns and the prospects for a successful financing. Our portfolio of 280 commercial properties is substantially fully leased and we have long-term leases that



shelter our unitholders from economic and market cycles. With average terms to maturity of almost 12 years for our leases and over 9 years for our mortgages, we believe our portfolio of rental properties has lower risk related to a longer market downturn. We also have relatively small amounts of mortgages due for renewal in the next several years.”

About The Bow Development Project

The REIT is currently on schedule with its two million square foot office building under construction in downtown Calgary. Construction has risen above the underground parking structure, and will resume after the holidays in the first week of January. The tower is expected to reach about 30 storeys by the end of 2009, and 58 storeys at full occupancy in 2012, making it the tallest and largest Canadian office tower west of Toronto. Currently, the REIT has incurred costs of approximately \$387 million for the project. The project is 100% leased for a term of 25 years to EnCana Corporation, the leading North American unconventional natural gas producer and one of Canada's largest public companies.

About H&R REIT

H&R REIT is a TSX-listed, open-ended real estate investment trust, which owns a North American portfolio of 34 office, 124 industrial and 122 retail properties comprising 41 million square feet, with a net book value of \$4.4 billion. The foundation of H&R's success since inception in 1996 has been a disciplined strategy that leads to consistent and profitable growth. Additional information regarding H&R REIT 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.

Cautionary Notice

Certain information in this news release contains forward-looking statements within the meaning of applicable securities laws including, among others, statements relating to the Trust's objectives, strategies to achieve those objectives, the Trust'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” or “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect the Trust's current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on the Trust's estimates and assumptions that are subject to risk and uncertainties, including those discussed in the Trust's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results and performance of the Trust to differ materially from the forward-looking statements contained in this news release. Those risks and uncertainties include, among other things: Unit prices; availability of cash for distributions; development and financing relating to The Bow development; liquidity; credit and tenant concentration; interest rates and financing; tax; ability to access capital markets; dilution; lease rollover; construction; debentures; mezzanine financing credit; currency risk; environmental matters; redemption right; unitholder liability and completion of the Private Placement. 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 remains stable; interest rates are relatively stable; and equity and debt markets continue to provide access to capital. The Trust cautions that this list of factors is not exhaustive. Although the forward-looking statements contained in this news release are based upon what the Trust 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.