H&R REAL ESTATE INVESTMENT TRUST

Announces Agreement to Redeem the Fairfax Warrants and a $150MM Convertible Unsecured Subordinated Debenture Issue

TORONTO, December 17, 2009 - H&R Real Estate Investment Trust ("H&R") (TSX: HR.UN; HR.DB; HR.DB.B) is pleased to announce that it has signed a definitive agreement that provides H&R with the opportunity to redeem up to 28,571,429 warrants (the "Warrants") issued to Fairfax Financial Holdings Limited and an affiliate (collectively, "Fairfax"). The Warrants were issued to Fairfax on April 24, 2009, pursuant to a warrant indenture, and have an exercise price of $7.00 per stapled unit (the "Stapled Units") and an expiry date of April 24, 2014. Subject to regulatory approval, which H&R expects to receive, the redemption will occur no later than January 29, 2010 (the “Redemption Date”), at a cash redemption price of $6.50 per Warrant (representing a fixed reference price of $13.50 per Stapled Unit less the Warrant exercise price of $7.00). The net amount payable by H&R to Fairfax would be approximately $185.7 million assuming redemption of all of the Warrants (the “Net Redemption Value”). The redemption of the Warrants will simplify H&R’s capital structure and is accretive to H&R’s net asset value ("NAV") and AFFO on a fully diluted per unit basis.

H&R intends to fund the Net Redemption Value with funds available from operations and other available sources of financing, which may include a portion of the net proceeds from the Convertible Debenture offering (described below).

H&R has also entered into an agreement to sell, to a syndicate of underwriters co-led by RBC Capital Markets and CIBC World Markets, on a bought deal basis, $150 million principal amount of 6.00% convertible unsecured subordinated debentures due June 30, 2017 (the "Convertible Debentures"). Closing is expected to occur on or about December 30, 2009, subject to regulatory approval. The net proceeds from the offering will be utilized for general trust purposes, and to the extent necessary, fund a portion of the Net Redemption Value.

H&R’s President & CEO Tom Hofstedter said, "We are very pleased to have entered into this agreement with Fairfax, a company that we have worked with for many years and for whom we have the highest regard. We believe that redeeming the Warrants and the issuance of cost effective long-term financing provides significant benefits to our unitholders. In particular, H&R is redeeming the Warrants utilizing a reference price of $13.50, while issuing Convertible Debentures with a conversion price of $19.00. In addition, the redemption is accretive to internal and financial analyst NAV estimates and AFFO on a fully diluted per unit basis."

The Convertible Debentures will bear interest at a rate of 6.00% per annum payable semi-annually in arrears on June 30 and December 31 in each year commencing on June 30, 2010, and will mature on June 30, 2017 (the "Maturity Date"). The Debentures will be convertible at the holder's option into Stapled Units at any time prior to the earlier of the Maturity Date and the date fixed for redemption at a conversion price of $19.00 per Stapled Unit (the "Conversion Price"). The Debentures will not be redeemable on or before June 30, 2013. On and after June 30, 2013 and prior to June 30, 2015, the Debentures may be redeemed in whole or in part from time to time at H&R's option provided that the volume weighted average trading price for the Stapled Units is greater than 125% of the Conversion Price. On and after June 30, 2015 and prior to the

Maturity Date, the Debentures may be redeemed in whole or in part from time to time at H&R's option at a price equal to their principal amount plus accrued interest.

The offering is being made under H&R's existing short from base shelf prospectus dated May 11, 2009, as amended. The terms of the offering will be described in a prospectus supplement to be filed with Canadian securities regulators by no later than December 21, 2009.

The Fairfax agreement also provides that any Warrants remaining outstanding after the Redemption Date will be automatically exercised on a cashless basis, based on a redemption price of $13.50 per Stapled Unit.

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 (”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's expectation regarding future developments in connection with the offering of the Convertible Debentures and the redemption of the warrants pursuant to the Fairfax Agreement.. 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: the completion of the offering of the Convertible Debentures and the redemption of the Warrants; the offering of the Convertible Debentures not being completed such that the redemption of the Warrants may not occur, conditions of the Fairfax Agreement not being satisfied; 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; mezzanine financing credit risk; competition for real property investments; environmental matters; reliance on one corporation for management of substantially all H&R'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 are reasonable assumptions, including assumptions regarding achievable income property acquisition opportunities available to H&R and the terms of available financing in connection with such acquisitions, 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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