H&R REIT Announces Transformational Strategic Repositioning Plan

Primaris Spin-Off, Exit Retail, Exit Office, Significant 12,700 Residential Unit Development Pipeline

October 27, 2021 - H&R REIT ("H&R" or the "REIT") announces today its strategic repositioning plan to transform from a diversified REIT, into a simplified, growth-oriented REIT with increased multi-residential and industrial exposure surfacing value through its significant development pipeline. This follows H&R's previously announced sale of the Bow office tower and Bell office campus totalling $1.47 billion in gross proceeds.

To achieve this transformation, H&R will execute the following strategic repositioning initiatives:

(i) Tax-free spin-off (the "Spin-Off") of its Primaris properties including all of H&R's enclosed malls to a new stand-alone, publicly traded REIT ("Primaris") focused on owning and managing enclosed shopping centres in Canada.

(ii) Disposition of the following property groups (the "Strategic Dispositions"), synchronized to match capital funding requirements. The Strategic Dispositions are poised to generate gross proceeds of approximately $3.4 billion over time:

- Exit retail - sale of approximately $600 million of grocery-anchored and essential service retail and monetization of H&R's CDN $470 million equity interest in Echo Realty LP ("ECHO"); and

- Exit office - sale of approximately $2.3 billion of office properties with the remaining $1.4 billion to be held for redevelopment into Class A multi-residential and industrial redevelopments.

(iii) Reinvestment of proceeds generated from the Strategic Dispositions to fund H&R's significant multi-residential and industrial development pipeline and for select acquisitions, in prime locations in Toronto, Montreal, Vancouver, and high-growth U.S. sunbelt and gateway cities.

"We are incredibly excited to announce our transformational strategic repositioning plan, providing a clear path forward to simplify H&R's business model and to create significant value and growth for unitholders," said Thomas Hofstedter, President & CEO of H&R REIT. "Our focus on Class A multi-residential and industrial properties surfaces value embedded in our existing portfolio through intensification and redevelopment and creates what we believe is a more compelling investment profile, streamlines our operating platform and enhances our financial flexibility."

"Over the past several years, H&R's Board of Trustees and management have executed on a number of initiatives aimed at repositioning the business to maximize unitholder value and better align with investor preferences", said Ronald Rutman, Chairman of the Board of H&R REIT. "The Spin-Off, combined with H&R's previously completed dispositions of the Bow office tower and Bell office campus mark recent significant milestones in the advancement of these initiatives. H&R will remain focused on executing the strategic repositioning plan with the objective of unlocking the value of its portfolio for unitholders."

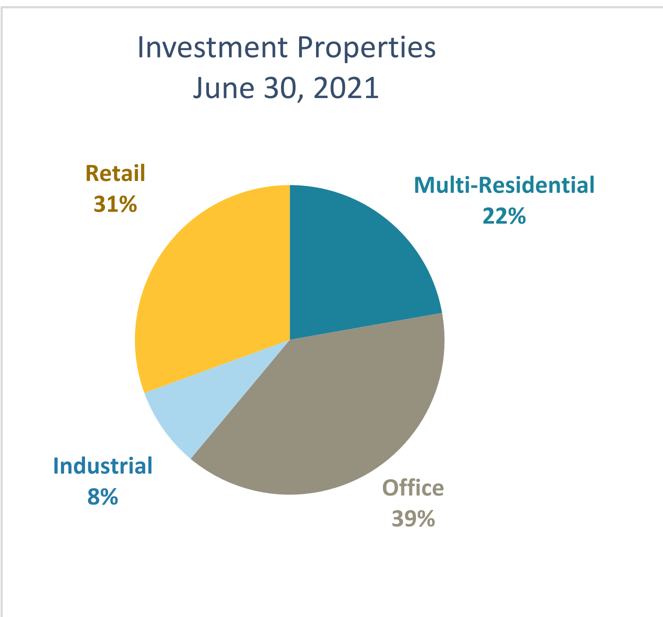
STRATEGIC REPOSITIONING BENEFITS:

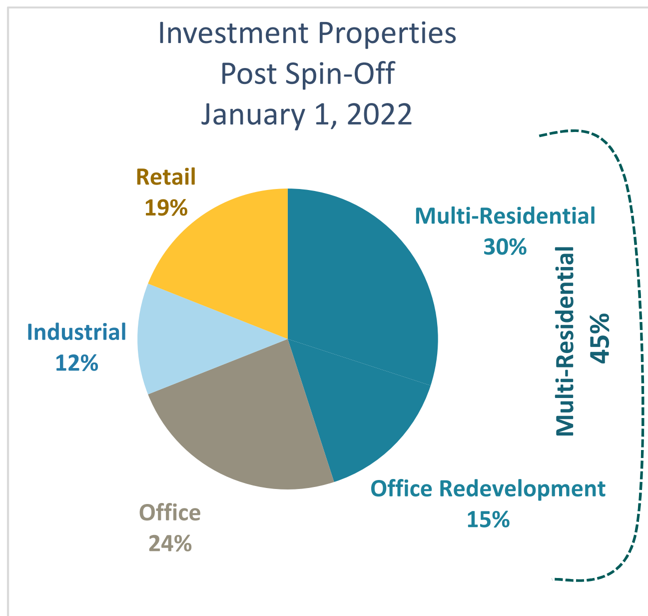
- **Greater exposure to higher growth multi-residential and industrial assets, with reduced exposure to retail and office properties.**

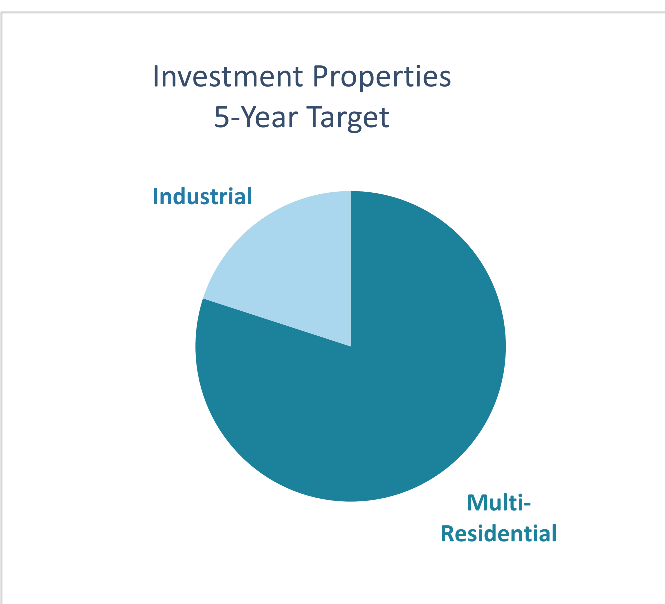
- **Enhanced major market presence in the Greater Toronto Area and high-growth U.S. sunbelt and gateway cities and immediate reduction of Alberta exposure to 7% of investment properties post Spin-Off.**

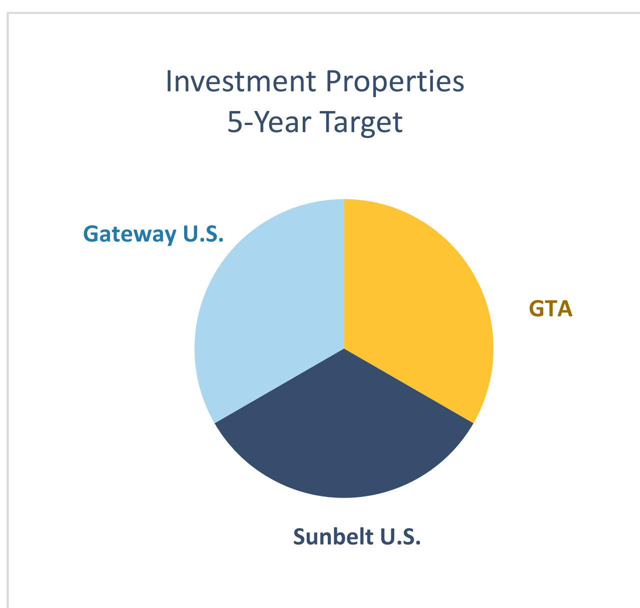
- **Improved proforma balance sheet enhances financial flexibility to execute on growth while maintaining H&R's current investment grade credit rating.**

- **Upon completion of the Spin-Off, the combined annual distributions of H&R REIT and Primaris are anticipated to total $0.72, up 4.3% from the current $0.69 per H&R unit. H&R is anticipated to distribute $0.52 per annum while Primaris is anticipated to distribute $0.20 per annum.**









Key Metrics	June 30, 2021	Post Spin-Off January 1, 2022	Impact
Reduce Calgary Office Exposure	$1.1 billion	$372.5 million	✓
Reduce Retail Exposure	$4.0 billion	$1.8 billion	✓
Improve Balance Sheet – Debt/EBITDA[2]	10.0x	9.5x	✓
Enhance Growth Profile – Same-Asset Property Operating Income (Cash Basis)[2]	0.4%[1]	3.0%	✓
Conservative Payout Ratio as a % of FFO[2]	44.9%	40-50%	✓
Reduce Leverage – Debt to Total Assets[2]	50.0%	46.8%	✓
Improve borrower profile – Unencumbered/ Unsecured)[2][3]	1.7x	2.0x	✓

(1) Six-year 2014-2020, Same Asset property operating income (cash basis) average.
(2) These are non-IFRS ratios, comprised of non-IFRS measures. See “non-IFRS Measures” below.
(3) Excludes ECHO.

H&R REIT STRATEGIC REPOSITIONING PLAN

- **EXIT RETAIL THROUGH SPIN-OFF AND DISPOSITIONS:**

  - **Primaris Spin-Off Transaction:**

    H&R intends to spin-off its enclosed mall portfolio and together with Healthcare of Ontario Pension Plan (“HOOPP”) create Primaris. Primaris will own interests in 35 properties with an appraised value of approximately $3.2 billion encompassing 11.4 million square feet of gross leasable area (“GLA”). H&R will contribute 27 properties with an appraised value of approximately $2.4 billion and HOOPP will contribute eight properties with an appraised value of approximately $0.8 billion. H&R’s secured debt will be reduced by approximately $579 million for the outstanding mortgage balances on the Primaris properties. H&R has applied to the TSX for the listing of Primaris units on the TSX with the ticker PMZ.UN, following the expected closing in late December 2021 or early 2022. The listing will be subject to the TSX’s customary listing approval requirements.

  - **Disposition of High-Quality Grocery-Anchored and Essential Service Retail Properties to Fund Developments:**

    - **Retail Property Dispositions:**

      In aggregate, H&R’s grocery-anchored and essential service retail portfolio includes 56 properties located primarily in Ontario, encompassing 2.8 million square feet of GLA which represent a fair value of approximately $600 million at June 30, 2021.

      H&R’s 33.6% ownership interest in ECHO Realty LP, a privately held real estate company with a portfolio of 237 grocery-anchored shopping centres primarily occupied by Giant Eagle, Inc., one of the largest supermarket chains in the United States. The portfolio encompasses 2.9 million square feet of GLA, and an equity ownership interest of approximately $470 million at June 30, 2021.

- **EXIT OFFICE THROUGH DISPOSITIONS AND RE-DEVELOPMENT:**

  - **Office Properties to be Sold to Fund Developments:**

    The office assets to be sold over time comprise 15 properties, encompassing 4.2 million square feet of GLA with a weighted average lease term of 9.5 years. These properties with an average occupancy rate of 99.5% are located in major urban markets with high-credit quality tenants, and represent a fair value of approximately $2.3 billion at Q2 2021.

  - **Office Properties held for Re-development into Class A Multi-Residential and Industrial Re-development:**

    12 office properties representing a fair value of approximately $1.4 billion at Q2 2021, encompassing 3.1 million square feet of GLA with intensification potential will be retained for redevelopment into multi-residential and industrial properties.

- **FOCUS ON MULTI-RESIDENTIAL AND INDUSTRIAL**

  H&R expects to evaluate each potential development in the context of its capital allocation strategy, and may elect to pursue development on its own, with capital partners, or sell the developments with approvals in place, capturing much of the value creation.

  - **Reinvest Proceeds into Higher Growth Multi-Residential and Industrial**:

    - Proceeds generated from the Strategic Dispositions will be redeployed into development of Class A multi-residential and industrial properties, in prime locations in Canada, and high growth sunbelt and gateway cities in the United States. The total pipeline is comprised of approximately 12,700 residential units and 3.2 million square feet of industrial GLA. The execution of these developments within H&R's multi-residential and industrial development pipeline is poised to drive earnings and NAV growth.

Planned Construction Starts	Development Projects	Residential Units	Industrial GLA (1000s of SF)	Total Development Budget
2022	8	2,150	580	$1.1 billion
2023	8	1,450	440	$800 million
2024 +	11	9,100(1)	2,200	TBD
TOTAL	**27**	**12,700(1)**	**3,220**	

(1) Latest estimated number of units.

  - **Office to Class A Multi-Residential and Industrial Redevelopment:**

    - 12 office properties located in Toronto, Vancouver and Montreal will be redeveloped into Class A multi-residential and industrial properties. These office properties would add approximately 5,900 residential units and 440,000 square feet of industrial GLA to H&R's portfolio over time.

Executive Leadership Appointments

As part of this transformative initiative, H&R is pleased to announce the following executive officer appointments:

Philippe Lapointe – President Lantower Residential

Emily Watson – Chief Operating Officer of Lantower Residential

Colleen Grahn – President of Lantower Property Management

Robyn Kestenberg – Executive VP Office and Industrial

Matthew Kingston – Executive VP Development and Construction

In addition, upon completion of the Spin-Off, Alex Avery, who will be Chief Executive Officer and a Trustee of Primaris, will be resigning as an officer and Trustee of H&R REIT so that H&R and Primaris will be completely independent with no common officers or trustees.

PRIMARIS

Built for the New Retail Landscape

Primaris will have substantial scale, a differentiated financial model and a full service, vertically integrated management platform. The portfolio will include a combination of assets contributed by H&R and HOOPP, aggregating interests in 35 properties with an appraised value of approximately $3.2 billion spanning 11.4 million square feet of GLA, at Primaris' interest. Primaris will be fully internally managed, with an independent board of trustees and operate as a distinct and separate publicly-traded entity upon completion of the Spin-Off. Immediately following the Spin-Off, H&R unitholders will directly own approximately 74% of Primaris units outstanding, and HOOPP will own approximately 26% of Primaris units outstanding.

"Primaris will be exceptionally well positioned to take advantage of market opportunities at a unique time in the evolution of the Canadian retail property landscape," said Alex Avery, who will be Chief Executive Officer of Primaris following the Spin-Off. "The scale and strength of the Primaris platform combined with its conservative financial model provides significant flexibility and capacity to both self-fund Primaris' strategy and positions it well to pursue investment opportunities in the current environment."

"HOOPP is excited to be Primaris' institutional partner to this important transaction, forming Canada's only publicly-traded, pure play national enclosed shopping centre REIT," said Eric Plesman, Head of Global Real Estate at HOOPP. "Primaris is a well-recognized Canadian operator with a significant track record, and is well-positioned to grow and benefit from the economic recovery."

Key Transaction Highlights

- **Large-Scale Canadian Enclosed Shopping Centre Portfolio:** Primaris' high-quality national portfolio will be comprised of dominant shopping centres located in primary and secondary Canadian markets. As one of the four largest enclosed shopping centre platforms in Canada, Primaris will be an essential partner for retailers, providing efficient access to key markets across the country.

- **Fully-Internal Management Platform and Strong Independent Board of Trustees:** Primaris' fully-internal management platform capabilities span leasing, legal, finance, lease administration, human resources, information technology, accounting and reporting, operations, asset management and development with nearly 20 years of operating history. Primaris' executive leadership team will be led by Alex Avery, current Executive Vice President, Asset Management & Strategic Initiatives at H&R REIT, and Patrick Sullivan, current Chief Operating Officer of H&R's Primaris division, bringing significant real estate investment, capital markets and retail property operating expertise. The incoming Board of Trustees has been selected to ensure strong and independent governance.

- **Differentiated Capital Structure and Financial Strategy:** Primaris' leverage at formation is expected to be approximately 29% Debt to Gross Book Value and 5.3x Debt to EBITDA. Its target payout ratio of 45% – 50% of FFO is expected to initially provide significant retained annual cash flow of approximately $65 million to fund investments in development and acquisition opportunities and minimize reliance on external capital sources. This unique and flexible financial model is expected to differentiate Primaris, with leverage significantly below most Canadian REIT peers.

- **Strong Institutional Endorsement:** HOOPP, one of the largest and most successful pension fund investors in Canada, will be Primaris' largest unitholder, holding approximately 26% of outstanding units following the HOOPP Contribution, providing strong institutional support of Primaris' governance and strategy.

- **Excess Density and Substantial Intensification Potential:** The Primaris portfolio includes several urban properties with significant intensification potential. Dufferin Grove, Primaris' flagship 1,285 suite multi-residential development on four acres of excess land at Dufferin Mall is well advanced, with full zoning approval expected in 2021. Other significant intensification opportunities include Orchard Park in Kelowna, Place D'Orleans in Ottawa, Sunridge and Marlborough Malls in Calgary, among others. Internal development, intensification and adaptive reuse projects will be considered over time, in the context of alternative investment opportunities.

The property values and the resulting equity ownership in Primaris are based on recently completed independent third-party appraisals completed on 100% of the properties. H&R will contribute 27 properties with an appraised value of approximately $2.4 billion aggregating 7.6 million square feet of GLA at Primaris' proportionate interest, and HOOPP will contribute eight properties with an appraised value of approximately $0.8 billion, aggregating 3.8 million square feet of GLA.

Primaris will have a strong and well-diversified tenant base with its top ten tenants representing 29% of minimum rent. Canadian Tire, Walmart, Loblaws, TJX Companies and Bell Canada will be Primaris' largest tenants, and seven of the top ten tenants will be investment grade rated. Across Primaris' approximately 2,300 tenant portfolio, the weighted average lease term will be approximately 5.1 years.

Further information regarding the Spin-Off, including anticipated portfolio metrics and certain forecast financials will be included in the management proxy circular (the "Circular") expected to be mailed to H&R unitholders in November 2021. A Primaris investor presentation containing further information regarding the Spin-Off is available on H&R's website.

Details of the Spin-Off

H&R's properties will be transferred to Primaris pursuant to a plan of arrangement (the "Arrangement"). Each existing H&R unitholder will receive one unit of Primaris for every one H&R unit held, subject to any consolidation or split of Primaris units pursuant to the Arrangement. After completion of the Arrangement, HOOPP's properties will be sold to Primaris in consideration for units of Primaris. Following closing of the Arrangement and the HOOPP Contribution, H&R unitholders and HOOPP are expected to own an approximate 74% and 26% interest in Primaris, respectively.

In connection with the Arrangement, H&R will apply to the Court of Queen's Bench of Alberta for an interim order confirming, among other things, the calling and holding of a meeting (the "Meeting") of H&R unitholders to be held in December 2021 to approve the Arrangement. In addition, H&R has (i) applied to the Canada Revenue Agency for an advance income tax ruling confirming certain Canadian federal income tax consequences of the Arrangement (the "CRA Ruling"), and (ii) applied for conditional approval from the TSX for the listing and posting for trading of the Primaris units. Listing will be subject to the TSX's customary listing approval requirements.

The Arrangement is subject to the approval of H&R unitholders by way of the affirmative vote of at least two-thirds of the votes cast by H&R unitholders present in person or by proxy at the Meeting. The Board of H&R has determined that the Arrangement is in the best interests of H&R REIT and accordingly, H&R's Board recommends that H&R unitholders vote IN FAVOUR OF the Arrangement for the reasons to be set out in detail in the Circular. The H&R trustees have received a fairness opinion from their financial advisor, CIBC World Markets ("CIBC") that, subject to the assumptions, limitations and qualifications contained therein, (i) the distribution to H&R unitholders pursuant to the Arrangement is fair, from a financial point of view, to the H&R unitholders, and (ii) that the consideration to be paid to HOOPP by Primaris is fair, from a financial point of view, to Primaris.

If the Arrangement is approved by the H&R unitholders and assuming timely satisfaction (or waiver) of all other closing conditions, including receipt of a final order of the Court of Queen's Bench of Alberta and the CRA Ruling, it is anticipated that the transaction will be completed in late December 2021 or early 2022.

The foregoing is qualified in its entirety by the more detailed information that will be included in the Circular. Unitholders are urged to carefully read the Circular, once available, before making their decision with regards to the Arrangement. Copies of the arrangement agreement, purchase and sale agreement relating to the properties to be contributed by HOOPP and Circular will be available on SEDAR at www.sedar.com.

ADVISORS

CIBC World Markets and Scotiabank are acting as financial advisors to H&R REIT. Blake, Cassels & Graydon LLP is acting as a legal counsel to H&R REIT.

BMO Capital Markets is acting as financial advisor to HOOPP. Torys LLP is acting as a legal counsel to HOOPP.

Real Asset Strategies is acting as investor relations advisor to H&R REIT.

CONFERENCE CALL

A conference call and live audio webcast and accompanying presentation hosted by H&R REIT and Primaris will be held to discuss the strategic repositioning plan, including the Spin-Off of Primaris on Wednesday, October 27, 2021 at 11.00 a.m. Eastern Time. Participants can join by logging into the webcast here, or at www.hr-reit.com, and selecting Investor Events under the Investor Relations section, or by dialing 1-888-510-2507 or 1-289-514-5065. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived on H&R's website following the call date.

For those unable to participate in the conference call at the scheduled time, it will be archived for replay beginning approximately one hour following completion of the call. To access the archived conference call by telephone, dial 1-800-770-2030 or 1-647-362-9199 and enter the passcode 7614157 followed by the pound key. The telephone replay will be available until November 3, 2021 at midnight.

Investor presentations for both H&R and Primaris are available on H&R's website at https://www.hr-reit.com/investor-relations/#investorpresentation.

Q3 RESULTS UPDATED CONFERENCE CALL AND WEBCAST DATE

H&R now intends to release its financial results for Q3 2021 on Monday, November 15, 2021. Management will host a conference call to discuss such financial results on Tuesday, November 16, 2021 at 9.30 a.m. Eastern Time. Participants can join the call by dialing 1-888-510-2507 or 1-289-514-5065. For those unable to participate in the conference call at the scheduled time, it will be archived for replay beginning approximately one hour following completion of the call. To access the archived conference call by telephone, dial 1-647-362-9199 or 1-800-770-2030 and enter the passcode 3504623 followed by the pound key. The telephone replay will be available until Tuesday, November 23, 2021 at midnight.

A live audio webcast will be available through https://www.hr-reit.com/investor-relations/#investor-events. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived on H&R's website following the call date.

About H&R REIT

H&R REIT is one of Canada's largest real estate investment trusts with total assets of approximately $13.1 billion at June 30, 2021. H&R REIT has ownership interests in a North American portfolio of high-quality office, retail, industrial and residential properties comprising over 40 million square feet.

About the Healthcare of Ontario Pension Plan

HOOPP serves Ontario's hospital and community-based healthcare sector, with more than 610 participating employers and 400,000 active, deferred and retired members. It operates as a private independent trust and is governed by a Board of Trustees with a sole fiduciary duty to deliver the pension promise.

HOOPP is fully funded and manages a highly diversified portfolio of more than $104 billion in assets. The 10-year annualized rate of return is 11.16%. HOOPP's investing success is delivered by an in-house team of investment professionals.

HOOPP's real estate portfolio has a market value of more than $15 billion, spanning multiple geographies and asset classes (office, logistics, retail, residential). The Fund continues to grow both the scale and scope of this portfolio, with a focus on high-quality assets and best-in-class partners that share our sustainable investing approach and creation of long-term value for our members. The real estate portfolio had a currency-hedged return of 8.2% over the past five years, which is $1.8 billion over the benchmark.

Non-IFRS Financial Measures

Growth in Same-Asset property operating income (cash basis) and Payout ratio as a % of FFO are both non-GAAP ratios that are more fully defined and discussed in H&R's MD&A in full as at June 30, 2021 and available on www.hr-reit.com and www.sedar.com. Debt to EBITDA is a non-GAAP ratio is calculated by dividing the total of: Debt (including mortgages payable, debentures payable, unsecured term loans and lines of credit) by (i) property operating income (excluding straight-lining of contractual rent and IFRIC 21); (ii) finance income; and (iii) trust expenses (excluding the fair value adjustment to unit-based compensation). Management uses Debt to EBITDA to assess the REIT's leverage ratio.

These ratios do not have a standard meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measurers presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Forward-looking Information

Certain statements in this news release contain forward-looking statements within the meaning of applicable securities laws (also known as forward-looking statements). These forward-looking statements include, but are not limited to H&R's plans, objectives, expectations and intentions, including the Spin-Off, the Strategic Dispositions, the timing thereof and the gross proceeds therefrom, the intention to develop and redevelop properties, management's beliefs regarding H&R's growth prospects and the ability to surface value for unitholders, the benefits of the strategic repositioning initiatives and the pro forma impact on H&R's portfolio and financial metrics, H&R's investment grade credit rating, combined annual distributions of H&R REIT and Primaris, H&R's target investment mix, the transaction with HOOPP, earnings and NAV growth as a result of execution of H&R's development pipeline, the timing and budgets for future developments, the size, asset value and portfolio metrics of Primaris upon completion of the Spin-Off and HOOPP Contribution, Primaris' ability to take advantage of market opportunities, Primaris' expected leverage, payout ratio, and annual retained cash flow, Primaris' growth potential, intensification opportunities, Primaris' capital structure and financing strategy, the timing of H&R's unitholders meeting and publication of related unitholder materials, the expected completion date of the proposed transaction, the ability to obtain the final order and the CRA Ruling on the terms and timing contemplated by the parties, to complete the Arrangement and the transaction with HOOPP on the terms and on the timing contemplated by management, the assumption that all necessary conditions will be met for the completion of the Arrangement and the pro forma information regarding Primaris. 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 risks and uncertainties, including those to be set forth in the Circular and in H&R REIT'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. Although the forward-looking statements contained in this news release are based upon what H&R believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. There can be no assurance that the proposed transaction will occur or that the anticipated benefits will be realized. The proposed transaction is subject to approval by the Court of Queen's Bench of Alberta, H&R unitholders and by the TSX and the fulfillment of certain conditions, and there can be no assurance that any such approvals will be obtained and/or any such conditions will be met. The proposed transaction could be modified, restructured or terminated. 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, assume 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 is available at http://www.hr-reit.com and on www.sedar.com. For more information, please contact Alex Avery or Larry Froom, H&R REIT (416) 635-7520, or e-mail info@hr-reit.com