H&R REIT Reports Third Quarter 2021 Results and Announces a Special Distribution

Strong Financial & Operating Results, Executing on Strategic Repositioning

Toronto, Ontario, November 15, 2021 - H&R Real Estate Investment Trust ("H&R" or "the REIT") (TSX: HR.UN) announces its financial results for the three and nine months ended September 30, 2021.

TRANSFORMATIONAL STRATEGIC REPOSITIONING PLAN

On October 27, 2021, H&R announced its transformational strategic repositioning plan to create a simplified, growth-oriented company focusing on multi-residential and industrial properties to surface significant value for unitholders. H&R's target is to be a leading owner, operator and developer of multi-residential and industrial properties, creating value through redevelopment and greenfield development in prime locations within Toronto, Montreal, Vancouver, and high growth U.S. sunbelt and gateway cities. H&R will fund this growth through dispositions, synchronizing asset sales with capital requirement.

"I am very pleased to report strong third quarter results, reflecting the quality of H&R's portfolio and strength of our balance sheet," said Tom Hofstedter, President and CEO. "Our transformational strategic repositioning plan, announced just a few weeks ago, provides a clear path forward to simplifying H&R's business model creating significant value and growth for unitholders. With our path forward now clearly established, our teams have turned to the implementation phase, where we are committed to efficiently and effectively executing on our plan."

Execution Highlights

- **Sale of Bow and Bell Office Campus**: previously announced sale of the Bow and Bell office Campus significantly reduced Calgary office exposure, enhanced tenant diversification, and created the liquidity and strengthened balance sheet to enable the next steps.

- **Primaris REIT Spinout**: previously announced proposed tax-free spin-off (the "Spin-Off") of the REIT's Primaris properties including all of H&R's enclosed malls into a new, completely independent, stand-alone, publicly traded REIT ("Primaris").

- **Exit Retail and Office**: previously announced Disposition plan (the "Strategic Dispositions") of H&R's remaining retail properties including its investment in ECHO Realty, and all office properties other than those with significant near-term redevelopment potential. These Strategic Dispositions are expected to generate proceeds of approximately $3.4 billion over the next five years.

- **Focus on Multi-Residential and Industrial**: synchronize Strategic Disposition proceeds to fund greenfield development and office redevelopment into class A multi-residential and industrial properties.

Benefits of the transformational strategic repositioning are expected to include

- Greater concentration 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, high-growth U.S. sunbelt and gateway cities and immediate reduction of Alberta exposure to 7% of investment properties post Spin-Off.
- Increasing exposure to H&R's significant 12,700 class A multi-residential and industrial development pipeline to drive growth.
- 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 equal $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 Primaris unit (assuming that one Primaris unit is issued for every H&R unit in the Spin-Off).

Further details are included in H&R's material change report filed on November 5, 2021 and investor presentation which can be found at www.hr-reit.com.

The Bow and Bell Campus Sale

On August 3, 2021, H&R announced it had entered into agreements to sell a 100% ownership interest in the land and building of the 2.0 million square foot Bow office property ("the Bow") in Calgary, AB and an 85% effective interest in the net rent payable under the Ovintiv Inc. ("Ovintiv") lease through expiry in May 2038. In addition, H&R also entered into an agreement to sell a 100% ownership interest in the 1.1 million square foot Bell office campus ("Bell Campus") located in Mississauga, ON. Total gross proceeds from these dispositions were approximately $1.47 billion. The closing of these transactions ("the Bow and Bell Transaction") occurred on October 7, 2021. The Bow's property operating income for Q3 2021 was $25.1 million. The Bell Campus property operating income for Q3 2021 was $8.6 million.

H&R effectively retains a 15% interest in the net rent payable under the Ovintiv lease to the expiry of the lease in May 2038, and will continue to manage the Bow and earn management fees. The retained interest in the cash flow from the Ovintiv lease and management fees total approximately $18 million annually. H&R will also continue to manage the Bell Campus for the remainder of the term of the existing Bell Campus leases, earning management fees of approximately $1.6 million annually.

The sale includes an option in favour of H&R to repurchase 100% ownership of the land and building of the Bow at expiry of the Ovintiv lease in May 2038 for approximately $735 million ($368 per sq.ft.), substantially below the current sale proceeds of $1.031 billion ($515 per sq.ft.). This option provides H&R the ability to capture potential upside in the Calgary office market over an extended time frame (of approximately 17 years).

As part of the Bow and Bell Transaction, in October 2021, H&R redeemed its Bow Centre Street Limited Partnership Series B and Series C Secured Bonds secured by the Bow for a combined redemption amount of $524 million, inclusive of pre-payment penalties. H&R has also repaid $25 million of mortgages secured by the Bell Campus, inclusive of pre-payment penalties, while another $97 million of associated mortgage debt was assumed by the buyer. Combined proceeds after the above debt repayments, mortgage assumption and transaction costs amounted to approximately $800 million. These proceeds were used to be repay lines of credit and the mortgage secured against Two Gotham Centre, Long Island City, NY totalling $419.0 million. The remaining proceeds were used to redeem the $325.0 million principal amount outstanding 2.923% Series L Senior Debentures of the REIT in November 2021.

Spin-Off of Primaris

On October 27, 2021, H&R announced its intention to spin-off its enclosed mall portfolio and together with Healthcare of Ontario Pension Plan ("HOOPP") create Primaris. Primaris' size, scale, portfolio composition, and capital structure were designed to allow Primaris to grow and thrive in the new retail landscape. Primaris will own interests in 35 shopping centres with an appraised value of approximately $3.2 billion encompassing 11.4 million square feet of gross leasable area ("GLA") at Primaris' share. 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 in respect of the mortgages to be assumed by Primaris.

Primaris will have substantial scale, a differentiated low leverage financial model and a full service, vertically integrated management platform. Primaris' board of trustees and management will be independent with no overlap with H&R's board of trustees and management, and will 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.

Included in property operating income for the three months ended September 30, 2021 was $35.2 million relating to the 27 properties being contributed by H&R to Primaris.

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.

Further details on the Spin-Off of Primaris can be found in H&R's management information circular dated November 5, 2021 relating to the unitholder meeting to be held on December 13, 2021 to consider the plan of arrangement giving effect to the Spin-Off which circular is available at www.hr-reit.com and www.sedar.com.

FINANCIAL HIGHLIGHTS

	September 30	December 31
	2021	2020
Total assets (millions)	**$13,123**	$13,355
Debt to total assets per the REIT's Financial Statements[1]	**44.8%**	47.7%
Debt to total assets at the REIT's proportionate share[1][2]	**48.5%**	51.1%
Unitholders' equity (millions)	**$6,338**	$6,071
Units outstanding (in thousands of Units)	**288,340**	286,863
Unitholders' equity per Unit	**$21.98**	$21.16
Net Asset Value ("NAV" per unit)[2]	**$22.77**	$21.93
Unit price	**$15.63**	$13.29

	3 months ended September 30		9 months ended September 30	
	2021	2020	**2021**	2020
Rentals from investment properties (millions)	**$268.8**	$271.6	**$799.6**	$821.2
Property operating income (millions)	**$182.2**	$175.8	**$491.7**	$480.1
Fair value adjustment on real estate assets (millions)	**($46.2)**	$93.0	**$26.0**	($1,265.9)
Net income (loss) (millions)	**$135.3**	$247.8	**$389.7**	($736.2)
Funds from operations ("FFO") (millions)[2]	**$121.4**	$124.5	**$356.8**	$375.7
FFO per Unit (basic)[2]	**$0.40**	$0.41	**$1.18**	$1.25
Adjusted Funds from Operations ("AFFO") (millions)[2]	**$102.2**	$107.4	**$289.6**	$316.5
AFFO per Unit (basic)[2]	**$0.34**	$0.36	**$0.96**	$1.05
Distributions per Unit	**$0.17**	$0.17	**$0.52**	$0.75
Payout ratio per Unit (as a % of AFFO)[2]	**50.0%**	47.2%	**54.2%**	71.4%

(1) Debt includes mortgages payable, debentures payable, unsecured term loans and lines of credit.
(2) These are non-GAAP measures. See "Non-GAAP Financial Measures" in this press release. H&R's management discussion and analysis ("MD&A") for the three and nine months ended September 30, 2021 includes a reconciliation of net income (loss) to FFO and AFFO as well as the calculation of NAV per Unit. Readers are encouraged to review the reconciliations and calculation in H&R's MD&A.

SUMMARY OF SIGNIFICANT Q3 2021 ACTIVITY

Properties in Lease-up

Property	Q3 2021 Property operating income (cash basis) (in millions)	Annualized Q3 2021 Property operating income (cash basis) (in millions)	Expected Stabilized Property operating income (cash basis) (in millions)	Expected Increase in Property operating income (cash basis) (in millions)
River Landing, Miami, FL	U.S. $3.4	U.S. $13.6	U.S. $24.8	U.S. $11.2
Jackson Park, Long Island City, NY*	U.S. $1.1	U.S. $4.4	U.S. $32.0	U.S. $27.6

* At H&R's ownership interest.

River Landing:

River Landing is an urban in-fill mixed-use property site in Miami, FL which achieved final completion in Q2 2021. River Landing includes approximately 341,000 square feet of retail space, approximately 149,000 square feet of office space and 528 residential rental units. It is adjacent to the Health District with approximately 1,000 feet of waterfront on the Miami River, two miles from downtown Miami.

As at September 30, 2021, residential occupancy was 86.6% and committed occupancy as at November 3, 2021 was 94.7% with 500 of 528 residential units leased, exceeding management's expectations on leasing velocity.

As at September 30, 2021, retail occupancy was 78.6% and committed occupancy for retail space as at November 3, 2021 was 90.0% with the remaining retail lease-up expected to occur during Q4 2021 and the first half of 2022. During Q3 2021, the REIT signed a lease with the Public Health Trust of Miami Dade County to occupy 43,351 square feet of office space, bringing committed office occupancy to approximately 64.0% as of November 3, 2021. The REIT is continuing negotiations with multiple parties on the remaining office space.

Jackson Park:

Jackson Park in Long Island City, NY has been negatively impacted by COVID-19 with higher vacancy and lower than average lease renewals. Beginning in June 2021, Jackson Park began to see a significant increase in the number of leases signed and occupancy increased from 61.6% as at June 30, 2021 to 97.5% as at September 30, 2021. As a result of the significant leasing completed, H&R incurred significant up-front leasing costs which has negatively impacted Jackson Park's property operating income in Q3 2021.

Development Activity

H&R's active developments in Canada include two industrial properties, totalling 182,889 square feet at H&R's industrial business park in Caledon, ON with a total development budget of $30.7 million. As at September 30, 2021, $14.9 million has been spent on properties under development with $15.8 million of budgeted costs remaining to be spent.

H&R's active developments in the United States includes three residential developments with a total budget of U.S. $127.1 million. As at September 30, 2021, U.S. $116.6 million had been spent on properties under development with U.S. $10.5 million of budgeted costs remaining to be spent. The REIT has U.S. $14.1 million available to be funded through secured construction facilities, in each case at the REIT's ownership interest. These three residential developments will produce 299 rental units at the REIT's ownership interest.

In September 2021, H&R acquired 3.7 acres of land in Dallas, TX for U.S. $6.3 million, which is expected to be developed into 300 residential rental units. The site is located within CityLine, a mixed-used development in the suburb of Richardson, TX which spans 186 acres and is anchored by the regional headquarters of State Farm Insurance.

In September 2021, H&R sold its 33.3% non-managing interest in Esterra Park, a 263 residential rental unit development in Seattle, WA for approximately U.S. $43.8 million and recorded a gain on sale of U.S. $8.7 million at the REIT's ownership interest. The return on equity invested amounted to approximately 81.7%.

Office

In July 2021, H&R sold a 54,100 square foot single-tenanted property in Markham, ON for approximately $13.1 million.

Same-Asset property operating income (cash basis) from office properties increased by 1.2% for the three months ended September 30, 2021 compared to the respective 2020 period, primarily due to contractual rental escalations. Same-Asset property operating income (cash basis) from office properties increased by 12.9% from Q2 2021 to Q3 2021, primarily due to Hess Corporation's ("Hess") free rent period ending in June 2021. Hess received a seven-month free rent period (which commenced in December 2020) as part of a lease extension and amending agreement completed in November 2020 for its premises in Houston, TX under which Hess agreed to extend the term of its lease on approximately two-thirds of the building for an additional term of 10 years beyond its current expiry of June 30, 2026.

Industrial

In July 2021, H&R sold its 50% ownership interest in a portfolio of nine single-tenanted cold storage properties located across Canada for $117.5 million. The weighted average overall capitalization rate for this portfolio disposition was approximately 4.0%.

Same-Asset property operating income (cash basis) from industrial properties decreased by 0.8% for the three months ended September 30, 2021 compared to the respective 2020 period, primarily due to the decrease in same-asset occupancy.

Residential

In Q4 2020, the Exchange at Bayfront (Phase 1 of the Hercules Project), a 54 residential rental unit development (at H&R's ownership interest) in Hercules, CA was substantially completed. In September 2021, the REIT sold its 31.7% non-managing interest for approximately U.S. $35.9 million. H&R's total cost to build this property was approximately U.S. $25.8 million at the REIT's ownership interest. H&R recorded a gain on sale of U.S. $8.0 million and had previously recorded a $2.1 million fair value adjustment when the development was completed. The return on equity invested amounted to approximately 69.3%.

Same-Asset property operating income (cash basis) from residential properties in U.S. dollars decreased by 4.0% for the three months ended September 30, 2021 compared to the respective 2020 period, primarily due to Jackson Park in New York which has been temporarily negatively impacted by COVID-19, and is further discussed above. Excluding Jackson Park, Same-Asset property operating income (cash basis) from residential properties in U.S. dollars increased by 12.3% for the three months ended September 30, 2021 compared to the respective 2020 period, primarily due to an increase in rental revenue.

Retail

Same-Asset property operating income (cash basis) from retail properties increased by 8.6% for the three months ended September 30, 2021 compared to the respective 2020 period, primarily due to higher bad debt expenses recorded during the onset of COVID-19 in 2020. Included in same-asset property operating income (cash-basis) for the three months ended September 30, 2021 was $33.3 million relating to the 27 properties being contributed by H&R to Primaris.

Funds from Operations and Adjusted Funds from Operations

FFO per Unit in Q3 2021 was $0.40 compared to $0.38 in Q2 2021 and $0.41 in Q3 2020. AFFO per Unit was $0.34 in Q3 2021 compared to $0.30 in Q2 2021 and $0.36 in Q3 2020. Distributions paid as a percentage of AFFO was 50.0% in Q3 2021, resulting in significant retained cash flow of approximately $51.0 million.

Debt Highlights

As at September 30, 2021, debt to total assets was 44.8% compared to 46.3% as at June 30, 2021 and 47.7% as at December 31, 2020. The weighted average interest rate of H&R's debt as at September 30, 2021 was 3.5% with an average term to maturity of 3.2 years.

Liquidity

As at September 30, 2021, H&R had $1.1 billion available under its unused lines of credit, an unencumbered property pool of approximately $4.3 billion and cash on hand of $52.4 million.

Monthly Distributions Declared

H&R today declared distributions for the months of November and December scheduled as follows:

	Distribution/Unit	Annualized	Record date	Distribution date
November 2021	$0.0575	$0.690	November 23, 2021	December 7, 2021
December 2021	$0.0575	$0.690	December 31, 2021	January 12, 2022

Special Distribution

The REIT also announced today that it has declared a special distribution of $0.73 per Unit. The distribution will be payable in Units ($0.63 per Unit) and cash ($0.10 per Unit) to all Unitholders of record as at December 31, 2021.

The special distribution is principally being made to distribute to Unitholders the capital gains realized by the REIT from transactions completed during the twelve-month period ended December 31, 2021. The REIT is making the special distribution payable partially in cash and partially in Units, in order to provide Unitholders with cash to help fund any additional tax that may arise associated with the special distribution. Most of the net cash proceeds generated by the sale transactions have been used to repay debt to enable the Primaris Spin-Off.

Tax Implications

Immediately following the special distribution, the outstanding Units of the REIT will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as such Unitholder held before the special distribution. The amount of the special distribution payable in Units will increase the tax cost basis of Unitholders' consolidated Units. The remaining portion of the special distribution will be paid in cash on January 12, 2022.

The REIT cautions that the foregoing comments are not intended to be, and should not be construed as, legal or tax advice to any Unitholder. The REIT recommends that Unitholders consult their own tax advisors regarding the income tax consequences to them of this anticipated special distribution and related Unit consolidation.

Conference Call and Webcast

Management will host a conference call to discuss the financial results for H&R REIT 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.

The investor presentation is available on H&R's website at https://www.hr-reit.com/investor-relations/#investor-presentation

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 September 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. H&R is currently undergoing a five-year, transformational strategic repositioning to create a simplified, growth-oriented company focusing on multi-residential and industrial properties to surface significant value for unitholders.

Forward-Looking Disclaimer

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 made or implied relating to H&R's objectives, beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including the statements made under the headings "Business Update", "Financial Highlights" and "Summary of Significant Q3 2021 Activity" including with respect to H&R's future plans, including the REIT's strategic repositioning, including the Spin-Off and the Strategic Dispositions, the anticipated proceeds from the Strategic Dispositions as well as the timing thereof, the expected benefits from the REIT's strategic repositioning, the impact of the Spin-Off and Strategic Dispositions on the REIT's portfolio metrics, future distributions by the REIT and by Primaris, the approval of the listing of Primaris on the TSX, ongoing management fees from the Bow and Bell Campus, the ability of H&R to capture potential upside in the Calgary office market, details regarding Primaris pro forma the Spin-Off and sale of assets by HOOPP, significant development projects, H&R's expectation with respect to the activities of its development properties, including the building of new properties, the timing of construction, the timing of occupancy and lease-up and the expected total cost of development properties, expected stabilized property operating income and increases in property operating income from River Landing and Jackson Park, management's expectations regarding future distributions, management's belief that H&R has sufficient funds and liquidity for future commitments and management's expectation to be able to meet all of the REIT's ongoing obligations. 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.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on H&R's estimates and assumptions that are subject to risks, uncertainties and other factors including those risks and uncertainties in H&R's materials filed with the Canadian securities regulatory authorities from time to time, which could cause the actual results, performance or achievements of H&R to differ materially from the forward-looking statements contained in this news release. 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 gradually recovering as a result of the COVID-19 pandemic, the extent and duration of which is unknown; debt markets continue to provide access to capital at a reasonable cost, notwithstanding the ongoing economic downturn; the assumptions made in connection with the anticipated benefits of the Spin-Off and Strategic Dispositions; the anticipated approval of the Spin-Off by unitholders; the anticipated receipt of any required consents, exemptions, approvals and rulings including the conditional approval of the TSX, of which there are no assurances; the expectation that the parties to the arrangement agreement for the Spin-Off and the purchase and sale agreement with HOOPP will comply with its terms and conditions; and the expectation that no event, change or other circumstance will occur that could give rise to the termination of the arrangement agreement for the Spin-Off and the purchase and sale agreement with HOOPP. Additional risks and

uncertainties include, among other things, risks related to: real property ownership; the current economic environment; COVID-19; credit risk and tenant concentration; lease rollover risk; interest and other debt-related risk; construction risks; currency risk; liquidity risk; financing credit risk; cyber security risk; environmental and climate change risk; co-ownership interest in properties; joint arrangement and investment risks; Unit price risk; availability of cash for distributions; ability to access capital markets; dilution; unitholder liability; redemption right risk; risks relating to debentures and the inability of the REIT to purchase senior debentures on a change of control; tax risk, and additional tax risk applicable to unitholders. H&R cautions that these lists of factors, risks and uncertainties are 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.

Readers are also urged to examine H&R's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of H&R to differ materially from the forward-looking statements contained in this news release. All forward-looking statements in this news release are qualified by these cautionary statements. These forward-looking statements are made as of November 15, 2021 and the REIT, except as required by applicable Canadian law, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

Non-GAAP Financial Measures

The REIT's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). H&R's management uses a number of measures which do not have a meaning recognized or standardized under IFRS or Canadian Generally Accepted Accounting Principles ("GAAP"). The non-GAAP measures NAV per Unit, FFO, AFFO, Payout Ratio per Unit, property operating income (cash basis), Same-Asset property operating income (cash basis) and the REIT's proportionate share as well as other non-GAAP measures discussed elsewhere in this news release, should not be construed as an alternative to financial measures calculated in accordance with GAAP. Further, H&R's method of calculating these supplemental non-GAAP financial measures may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable. H&R use these measures to better assess H&R's underlying performance and provide these additional measures so that investors may do the same. These non-GAAP financial measures are more fully defined and discussed in H&R's MD&A as at the three and nine months ended September 30, 2021, available at www.hr-reit.com and on www.sedar.com.

Additional information regarding H&R 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.