H&R REIT Reports Strong Third Quarter 2022 Results and Announces 9% Distribution Increase Commencing in January 2023

Toronto, Ontario, November 14, 2022 - 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, 2022.

HIGHLIGHTS:

- 11.5% growth in Same-Property net operating income (cash basis)(1) compared to Q3 2021;
- Net operating income per the REIT's Financial Statements decreased by 18.6% compared to Q3 2021 primarily due to the spin-off of Primaris REIT and property dispositions during the 21-month period ended September 30, 2022;
- $455.4 million in property dispositions at the REIT's proportionate share(1) comprised of:
  - 15 properties totalling $406.1 million sold during the nine months ended September 30, 2022; and
  - Three properties totalling $49.3 million sold in October 2022;
- 22.9 million Units of the REIT ("Units") have been repurchased since January 1, 2022 for a total cost of $297.1 million, at a weighted average price of $12.99 per Unit, representing an approximate 42.5% discount to Net Asset Value ("NAV") per Unit(3);
- 3.0 million Units were repurchased during the quarter for a total cost of $38.3 million, at a weighted average price of $12.91 per Unit, representing an approximate 42.8% discount to NAV per Unit(3).
- $22.58 NAV per Unit(3) at September 30, 2022, an increase of $0.44 from June 30, 2022; primarily due to the stronger U.S. dollar and the repurchase of Units offset by $307.2 million unfavourable fair value adjustments;
- $21.53 unitholders’ equity per Unit at September 30, 2022, an increase of $0.59 from June 30, 2022;
- 34.1% Debt to total assets per the REIT’s Financial Statements(2);
- 43.6% Debt to total assets at the REIT’s proportionate share(2)(3);
- $5.0 billion of unencumbered properties;
- $712.1 million in liquidity comprised of $65.8 million in cash or cash equivalents and $646.3 million available to be drawn under the REIT's credit facilities;
- A special cash distribution of $0.40 per Unit payable in Units ($0.35 per Unit) and cash ($0.05 per Unit) to Unitholders of record as at December 30, 2022; and
- 9.1% increase in distributions to commence in January 2023.

“H&R's third quarter results highlight the quality of our properties and the embedded growth that we are surfacing as a result of the increasing focus on higher growth assets,” said Tom Hofstedter, H&R’s Chief Executive Officer. “The distribution increase is supported by our strong year to date performance and outlook for the future. Organic growth coupled with our Unit buybacks are creating value for our Unitholders, with dispositions announced to date furthering our portfolio simplification strategy."

(1) These are non-GAAP measures. Refer to the “Non-GAAP Measures” section of this news release.
(2) Debt includes mortgages payable, debentures payable, unsecured term loans and lines of credit.
(3) These are non-GAAP ratios. Refer to the “Non-GAAP Measures” section of this news release.

Philippe Lapointe, H&R's President added "The strong results that we are announcing today are a direct result of the repositioning plan that we put in place over a year ago. As evidenced by our recent results, there is significant growth within our portfolio. Recognizing that there is still important work ahead of us, we are well on our way to creating a simplified, growth-oriented company that will produce significant value for our unitholders."

FINANCIAL HIGHLIGHTS

	September 30	December 31
	2022	2021
Total assets (in thousands)	**$11,708,119**	$10,501,141
Debt to total assets per the REIT's Financial Statements(1)	**34.1%**	37.1%
Debt to total assets at the REIT's proportionate share(1)(2)	**43.6%**	46.6%
Unitholders' equity (in thousands)	**5,725,118**	4,773,833
Units outstanding (in thousands)	**265,885**	288,440
Exchangeable units outstanding (in thousands)	**17,974**	13,344
Unitholders' equity per Unit	**$21.53**	$16.55
NAV per Unit(2)	**$22.58**	$17.70

	3 months ended September 30		9 months ended September 30	
	2022	2021	**2022**	2021
Rentals from investment properties (in millions)	**$213.7**	$268.8	**$617.8**	$799.6
Net operating income (in millions)	**$148.4**	$182.2	**$386.8**	$491.7
Same-Property net operating income (cash basis) (in millions)(3)	**$121.2**	$108.7	**$358.1**	$307.1
Net income (loss) from equity accounted investments (in millions)	**($60.1)**	$23.5	**($6.3)**	$36.4
Fair value adjustment on real estate assets (in millions)	**($235.2)**	($46.2)	**$770.6**	$26.0
Net income (loss) (in millions)	**($121.5)**	$135.3	**$961.0**	$389.7
FFO (in millions)(3)	**$85.9**	$121.4	**$253.3**	$356.8
Adjusted funds from operations ("AFFO") (in millions)(3)	**$72.7**	$102.2	**$224.9**	$289.6
Weighted average number of Units and exchangeable units for FFO (in 000's)	**284,734**	301,775	**293,115**	301,770
FFO per basic Unit(2)	**$0.302**	$0.402	**$0.864**	$1.182
AFFO per basic Unit(2)	**$0.255**	$0.338	**$0.767**	$0.960
Cash Distributions per Unit	**$0.137**	$0.173	**$0.402**	$0.518
Payout ratio as a % of FFO(2)	**45.4%**	43.0%	**46.5%**	43.8%
Payout ratio as a % of AFFO(2)	**53.7%**	51.2%	**52.4%**	54.0%

(1) Debt includes mortgages payable, debentures payable, unsecured term loans and lines of credit.
(2) These are non-GAAP ratios. Refer to the "Non-GAAP Measures" section in this news release.
(3) These are non-GAAP measures. Refer to the "Non-GAAP Measures" section in this news release.

Primaris Spin-Off

H&R's 2022 financial results were significantly impacted due to the 27 properties transferred by H&R to Primaris REIT on December 31, 2021 (the "Primaris Spin-Off"). The impact of the Primaris Spin-Off on certain of H&R's financial results is shown in the table below:

	3 months ended September 30		9 months ended September 30	
	2022	2021	**2022**	2021
Rentals from investment properties (in millions)	$—	$63.3	$—	$186.7
Net operating income (in millions)	$—	$35.2	$—	$99.5
Net income (in millions)	$—	$208.9	$—	$341.8
FFO (in millions)[1]	$—	$30.8	$—	$86.2
AFFO (in millions)[1]	$—	$23.9	$—	$67.4
FFO per basic Unit[2]	$—	$0.102	$—	$0.286
AFFO per basic Unit[2]	$—	$0.079	$—	$0.223

(1) These are non-GAAP measures. Refer to the "Non-GAAP Measures" section of this news release.
(2) These are non-GAAP ratios. Refer to the "Non-GAAP Measures" section in this news release.

SUMMARY OF SIGNIFICANT Q3 2022 ACTIVITY

The following tables show the larger income statement items split between the various operating segments. For further commentary on these tables, please see the REIT's Management Discussion and Analysis for the three and nine months ended September 30, 2022 available at www.hr-reit.com.

2022 Net Operating Income

	Three months ended September 30			Nine months ended September 30		
(in thousands of Canadian dollars)	**2022**	2021	% Change	**2022**	2021	% Change
Operating Segment:						
Same-Property net operating income (cash basis) - Residential[1]	**$29,888**	$21,895	36.5%	**$91,189**	$66,485	37.2%
Same-Property net operating income (cash basis) - Industrial[1]	**14,638**	13,692	6.9%	**42,824**	40,567	5.6%
Same-Property net operating income (cash basis) - Office[1]	**52,668**	50,082	5.2%	**154,220**	131,420	17.3%
Same-Property net operating income (cash basis) - Retail[1]	**24,043**	23,070	4.2%	**69,895**	68,628	1.8%
Same-Property net operating income (cash basis)[1]	**121,237**	108,739	11.5%	**358,128**	307,100	16.6%
Adjusted for:						
Net operating income (cash basis) from Transactions at the REIT's proportionate share[1][2]	**33,897**	75,667	(55.2)%	**102,095**	222,352	(54.1)%
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share[1]	**12,056**	11,777	2.4%	**(12,600)**	(12,192)	(3.3)%
Straight-lining of contractual rent at the REIT's proportionate share[1]	**3,388**	2,139	58.4%	**3,302**	22,607	(85.4)%
Net operating income from equity accounted investments[1]	**(22,211)**	(16,154)	(37.5)%	**(64,088)**	(48,126)	(33.2)%
Net operating income per the REIT's Financial Statements	**$148,367**	$182,168	(18.6)%	**$386,837**	$491,741	(21.3)%

(1) These are non-GAAP measures. Refer to the "Non-GAAP Measures" section of this news release.
(2) Transactions include properties acquired, or sold, or transferred to or from properties under development, during the 21-month period ended September 30, 2022.

Fair Value Adjustment on Real Estate Assets and September 30, 2022 Capitalization Rates

Operating Segment	Q3 2022 Fair Value Adjustment (in thousands)	Capitalization Rate as at September 30, 2022
Residential	($71,394)	4.06%
Industrial	(14,442)	5.12%
Office	(195,720)	6.17%
Retail	(25,612)	6.28%
Fair value adjustment on real estate assets per the REIT's proportionate share[1]	(307,168)	5.24%
Less: equity accounted investments	71,976	
Fair value adjustments on real estate assets per the REIT's Financial Statements	($235,192)	

(1) This is a non-GAAP measure. Refer to the "Non-GAAP Measures" section of this news release.

Property Dispositions

2022 property sales to date at the REIT's proportionate share total $455.4 million, including 100 Wynford Drive in Toronto, ON ("100 Wynford").

On August 31, 2022, H&R completed the sale of two Canadian office properties including 100 Wynford, and two Canadian retail properties for gross proceeds of $167.8 million at a weighted average capitalization rate of 6.9%.

H&R has the option to repurchase 100 Wynford for approximately $159.7 million in 2036 or earlier under certain circumstances. Due to the repurchase option in favour of H&R, the transaction did not meet the criteria of a transfer of control under International Financial Reporting Standards ("IFRS") 15 *Revenue from Contracts with Customers* ("IFRS 15"). As such, 100 Wynford will continue to be recorded as an income producing property in the statements of financial position, with proceeds received from the sale recorded as deferred revenue and amortized over the term of the lease with Bell Canada. In Q3 2021, H&R submitted an Employment Conversion Request to the City of Toronto for 100 Wynford. Given the property's proximity to two future transit lines (the Eglinton LRT and the Ontario Line), H&R believes there is an opportunity for future redevelopment of the existing parking lot into a multi-phased project that introduces residential uses. H&R envisions a land use conversion from the existing Employment Land designation to Mixed Use designation, similar to the process undertaken at a nearby property at the intersection of Don Mills Road and Eglinton Avenue East formerly owned by Celestica Inc.

Subsequent to September 30, 2022, H&R sold two automotive-tenanted retail properties in Arizona totaling 25,309 square feet for U.S. $17.0 million at a weighted average capitalization rate of 5.8%. In addition, H&R sold a 123,000 square foot single tenanted office property in Burlington, ON for $26.0 million. Prior to the sale, H&R received a $2.3 million lease termination fee in Q3 2022 and the property was vacant as at September 30, 2022. H&R chose to sell this property to an end user given the size of the building and its unique usage for flex-office space in a suburban market

Leasing

H&R has leased approximately 76.7% of the office space at River Landing Commercial in Miami, FL. The two major tenants are: (i) the Office of the State Attorney, Eleventh Judicial Circuit of Miami-Dade County, whose lease commenced in October 2022 and is occupying 49,379 square feet; and (ii) Public Health Trust of Miami-Dade County, whose lease is expected to commence in Q1 2023 and will occupy 63,007 square feet.

In Q3 2022, H&R entered into a lease amendment with Bell Canada to terminate their lease at 200 Bouchard Boulevard, Montreal, QC in December 2026. The previous lease term would have ended in April 2036. H&R will receive a lease termination fee of approximately $70.0 million in 2026. The terms of the rental payments to 2026 have not changed. IFRS 16 *Leases* ("IFRS 16") requires revenue from leases to be recognized on a straight-line basis over the contractual term of the lease. As a result of this lease amendment, a non-cash adjustment to straight-lining of contractual rent of approximately $3.5 million was recorded in Q3 2022 and will continue to be recorded every quarter until the end of the lease. This resulted in a $3.5 million increase to net operating income and FFO. Same-Property net operating income (cash basis) and AFFO were not impacted as H&R deducts non-cash items, including straight-lining of contractual rent, in calculating these amounts. H&R is working with the city of Montreal as they update their master plan, and has provided a plan to convert this existing office property into approximately 850 residential units resulting in approximately 1.1 million square feet of new residential development. These plans will continue to evolve, along with the City's master plan, with a targeted approval date of Q1 2024.

Development Update

Canadian Properties under Development

In September 2022, two Canadian properties under development in the REIT's industrial business park in Caledon, ON were substantially completed and transferred to investment properties. 34 Speirs Giffen Avenue totalling 105,014 square feet, has been leased to Lindstrom Fastener (Canada) Ltd. for a term of 10 years and the lease will commence in December 2022. As at September 30, 2022, 34 Speirs Giffen Avenue, was valued at approximately $29.3 million compared to costs incurred of approximately $16.6 million, resulting in a fair value increase of approximately $12.7 million since the start of the project. 140 Speirs Giffen Avenue, totalling 77,754 square feet, has been leased to Coast Holding Limited Partnership for a term of 10 years and the lease will commence in December 2022. As at September 30, 2022, 140 Speirs Giffen. Avenue, was valued at approximately $35.6 million compared to costs incurred of approximately $14.8 million, resulting in a fair value increase of approximately $20.8 million since the start of the project. This now completes the first phase of H&R's Caledon industrial park.

The REIT currently has two industrial properties under development located at 1965 Meadowvale Boulevard and 1925 Meadowvale Boulevard in Mississauga, ON, totalling 336,800 square feet, which are expected to be completed in 2023. The total development budget to complete these two properties is approximately $57.9 million. Subsequent to September 30, 2022, H&R entered into a binding agreement with Armour Transport Inc. to fully lease 1965 Meadowvale Boulevard, totalling 187,290 square feet, for a term of 10 years at current market rents with annual contractual rental escalations.

U.S. Properties under Development

The REIT has commenced construction on two U.S. residential development properties in 2022. The total development budget to complete these two properties is approximately U.S. $176.6 million. The REIT expects its construction costs for these two properties under development to be approximately U.S. $11.7 million for the balance of 2022 and U.S. $117.1 million in 2023.

Future Intensification

In July 2022, the City of Toronto adopted the final report recommending approval of the rezoning application for 145 Wellington St. W., which provides for the re-development of the current 13-storey office property into a 60-storey mixed-use property consisting of 512 residential units, 149,000 square feet of office space and 1,000 square feet of retail space.

In September 2022, H&R submitted a combined Official Plan Amendment and Rezoning Application for 69 Yonge Street in Toronto, ON for adaptive reuse of this 15-storey heritage building. The existing building will be retained in its entirety, with additional floor area added to all existing floors as well as a new 5-storey addition on the roof. The existing office use will be replaced by residential uses, the existing grade related retail space will be retained and new retail space will be added below grade. Overall, H&R expects to receive approval for approximately 125 residential units encompassing approximately 125,000 square feet.

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 2022	$0.0458	$0.550	November 30, 2022	December 15, 2022
December 2022	$0.0458	$0.550	December 30, 2022	January 16, 2023

2022 SPECIAL DISTRIBUTION

The REIT also announced today that it has declared a special distribution of $0.40 per Unit. The distribution will be payable in Units ($0.35 per Unit) and cash ($0.05 per Unit) to Unitholders of record as at December 30, 2022.

The special distribution is principally being made to distribute to Unitholders the taxable income realized by the REIT from transactions completed during the year ended December 31, 2022. 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.

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 16, 2023.

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.

2023 DISTRIBUTION INCREASE

The REIT is pleased to announce that it intends to increase its monthly distributions to $0.05 per Unit commencing in January 2023. This amounts to $0.60 per Unit annually, a 9.1% increase from the current annual amount of $0.55 per Unit.

ESG REPORTING

- H&R is pleased to announce it has filed its 2021 Sustainability Report which can be found on H&R's website at https://www.hr-reit.com/wp-content/uploads/2022/11/HR-REIT-2021-Sustainability-Report.pdf.
- H&R has also implemented a human rights policy which can be found at https://www.hr-reit.com/wp-content/uploads/2022/11/Human-Rights-Policy.pdf.
- H&R expects to finalize its green financing framework before the end of the year.

CONFERENCE CALL AND WEBCAST

Management will host a conference call to discuss the financial results of the REIT on Tuesday, November 15, 2022 at 9.30 a.m. Eastern Time. Participants can join the call by dialing 1-888-396-8049 or 1-416-764-8646. For those unable to participate in the conference call at the scheduled time, a replay will be available approximately one hour following completion of the call. To access the archived conference call by telephone, dial 1-416-764-8692 or 1-877-674-7070 and enter the passcode 843309 followed by the "#" key. The telephone replay will be available until Tuesday, November 22, 2022 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 $11.7 billion as at September 30, 2022. H&R REIT has ownership interests in a North American portfolio comprised of high-quality residential, industrial, office and retail properties comprising over 28.7 million square feet. H&R is currently undergoing a five-year, strategic repositioning to transform into a simplified, growth-oriented company focusing on 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 under the headings "Highlights" and "Summary of Significant Q3 2022 Activity" relating to H&R's objectives, beliefs, plans, estimates, targets, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including with respect to H&R's future plans and targets, the REIT's ability to create a simplified, growth-oriented company and surface significant value for Unitholders, the accounting treatment of 100 Wynford, leasing of the REIT's investment properties, including expected lease commencement dates and square footage to be occupied, H&R's expectations with respect to future developments, including land use conversions and the anticipated use of such developments, H&R's expectations with respect to the activities of its development properties, including the building of new properties, the use of such properties, the timing of construction and completion, expected construction plans and costs, anticipated number of units and square footage, expected approvals and the timing thereof, capitalization rates and cash flow models used to estimate fair values, expectations regarding future operating fundamentals, management's expectations regarding future distributions by the REIT, including the proposed increase to the distribution commencing in 2023, 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 discussed 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; and assumptions concerning currency exchange and interest rates. Additional risks and uncertainties include, among other things, risks related to: disease outbreaks and COVID-19; real property ownership; the current economic environment; credit risk and tenant concentration; lease rollover risk; interest rate and other debt-related risk; development risks; residential rental risk; currency risk; capital expenditures risk; liquidity risk; cyber security risk; financing credit risk; environmental and climate change risk; general uninsured losses; co-ownership interest in properties; joint arrangement and investment risks; dependence on key personnel; potential acquisition, investment and disposition opportunities and joint venture arrangements; potential undisclosed liabilities associated with acquisitions; competition for real property investments; potential conflicts of interest; Unit price risk; availability of cash for distributions and investment; credit ratings; ability to access capital markets; tax risk; additional tax risks applicable to unitholders; dilution; unitholder liability; redemption right risk; investment eligibility; risks relating to debentures and the inability of the REIT to purchase senior debentures on a change of control; and statutory remedies. 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 contained in this news release are qualified by these cautionary statements. These forward-looking statements are made as of November 14, 2022 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 Measures

The unaudited condensed consolidated interim financial statements of the REIT and related notes for the three and nine months ended September 30, 2022 (the "REIT's Financial Statements") were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. However, H&R's management uses a number of measures, including NAV per Unit, FFO, AFFO, payout ratio as a % of FFO, payout ratio as a % of AFFO and debt to total assets at the REIT's proportionate share, Same-Property net operating income (cash basis) and the REIT's proportionate share, which do not have meanings recognized or standardized under IFRS or Canadian Generally Accepted Accounting Principles ("GAAP"). These non-GAAP measures and non-GAAP ratios should not be construed as alternatives to financial measures calculated in accordance with GAAP. Further, H&R's method of calculating these supplemental non-GAAP measures and ratios may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable. H&R uses these measures to better assess H&R's underlying performance and provides these additional measures so that investors may do the same.

For information on the most directly comparable GAAP measures, composition of the measures, a description of how the REIT uses these measures and an explanation of how these measures provide useful information to investors, refer to the "Non-GAAP Measures" section of the REIT's management discussion and analysis as at and for the three and nine months ended September 30, 2022, available at www.hr-reit.com and on the REIT's profile on SEDAR at www.sedar.com, which is incorporated by reference into this news release.

Financial Position

The following table reconciles the REIT's Statement of Financial Position from the REIT's Financial Statements to the REIT's proportionate share:

	September 30, 2022			December 31, 2021		
(in thousands of Canadian dollars)	**REIT's Financial Statements**	**Equity accounted investments**	**REIT's proportionate share[1]**	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share[1]
Assets						
Real estate assets						
Investment properties	**$9,286,747**	**$2,086,798**	**$11,373,545**	$8,581,100	$1,824,609	$10,405,709
Properties under development	**835,270**	**83,813**	**919,083**	481,432	165,187	646,619
	10,122,017	**2,170,611**	**12,292,628**	9,062,532	1,989,796	11,052,328
Equity accounted investments	**1,027,428**	**(1,027,428)**	**—**	992,679	(992,679)	—
Assets classified as held for sale	**49,322**	**—**	**49,322**	—	57,309	57,309
Other assets	**443,543**	**25,712**	**469,255**	321,789	13,557	335,346
Cash and cash equivalents	**65,809**	**60,108**	**125,917**	124,141	40,499	164,640
	$11,708,119	**$1,229,003**	**$12,937,122**	$10,501,141	$1,108,482	$11,609,623
Liabilities and Unitholders' Equity						
Liabilities						
Debt	**$3,993,890**	**$1,146,243**	**$5,140,133**	$3,894,906	$1,026,836	$4,921,742
Exchangeable units	**186,932**	**—**	**186,932**	216,841	—	216,841
Deferred Revenue	**995,466**	**—**	**995,466**	896,801	—	896,801
Deferred tax liability	**496,227**	**—**	**496,227**	350,501	—	350,501
Accounts payable and accrued liabilities	**310,486**	**59,668**	**370,154**	368,259	59,130	427,389
Non-controlling interest	**—**	**23,092**	**23,092**	—	22,516	22,516
	5,983,001	**1,229,003**	**7,212,004**	5,727,308	1,108,482	6,835,790
Unitholders' equity	**5,725,118**	**—**	**5,725,118**	4,773,833	—	4,773,833
	$11,708,119	**$1,229,003**	**$12,937,122**	$10,501,141	$1,108,482	$11,609,623

(1) The REIT's proportionate share is a non-GAAP measure.

RESULTS OF OPERATIONS

The following table reconciles the REIT's Results of Operations from the REIT's Financial Statements to the REIT's proportionate share:

(in thousands of Canadian dollars)	Three months ended September 30, 2022			Three months ended September 30, 2021		
	REIT's Financial Statements	**Equity accounted investments**	**REIT's proportionate share[1]**	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share[1]
Rentals from investment properties	**$213,709**	**$31,680**	**$245,389**	$268,792	$26,349	$295,141
Property operating costs	**(65,342)**	**(9,469)**	**(74,811)**	(86,624)	(10,195)	(96,819)
Net operating income	**148,367**	**22,211**	**170,578**	182,168	16,154	198,322
Net income (loss) from equity accounted investments	**(60,071)**	**60,292**	**221**	23,532	(23,714)	(182)
Finance costs - operations	**(55,366)**	**(10,185)**	**(65,551)**	(56,449)	(8,950)	(65,399)
Finance income	**4,410**	**20**	**4,430**	4,008	(91)	3,917
Trust expenses (recoveries)	**2,633**	**(638)**	**1,995**	(4,122)	(996)	(5,118)
Fair value adjustment on financial instruments	**39,756**	**460**	**40,216**	8,819	(238)	8,581
Fair value adjustment on real estate assets	**(235,192)**	**(71,976)**	**(307,168)**	(46,228)	(2,773)	(49,001)
Gain (loss) on sale of real estate assets, net of related costs	**(857)**	**38**	**(819)**	(467)	20,828	20,361
Net income (loss) before income taxes and non-controlling interest	**(156,320)**	**222**	**(156,098)**	111,261	220	111,481
Income tax (expense) recovery	**34,824**	**(13)**	**34,811**	24,059	(3)	24,056
Net income (loss) before non-controlling interest	**(121,496)**	**209**	**(121,287)**	135,320	217	135,537
Non-controlling interest	**—**	**(209)**	**(209)**	—	(217)	(217)
Net income (loss)	**(121,496)**	**—**	**(121,496)**	135,320	—	135,320
Other comprehensive income:						
Items that are or may be reclassified subsequently to net income (loss)	**294,423**	**—**	**294,423**	82,747	—	82,747
Total comprehensive income attributable to unitholders	**$172,927**	**$—**	**$172,927**	$218,067	$—	$218,067

(1) The REIT's proportionate share is a non-GAAP measure.

The following table reconciles the REIT's Results of Operations from the REIT's Financial Statements to the REIT's proportionate share:

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
(in thousands of Canadian dollars)	**REIT's Financial Statements**	**Equity accounted investments**	**REIT's proportionate share[1]**	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share[1]
Rentals from investment properties	**$617,805**	**$92,841**	**$710,646**	$799,586	$76,674	$876,260
Property operating costs	**(230,968)**	**(28,753)**	**(259,721)**	(307,845)	(28,548)	(336,393)
Net operating income	**386,837**	**64,088**	**450,925**	491,741	48,126	539,867
Net income (loss) from equity accounted investments	**(6,334)**	**6,712**	**378**	36,351	(36,416)	(65)
Finance costs - operations	**(164,637)**	**(28,290)**	**(192,927)**	(174,956)	(27,187)	(202,143)
Finance income	**11,589**	**28**	**11,617**	14,215	13	14,228
Trust expenses	**(11,109)**	**(2,142)**	**(13,251)**	(23,156)	(2,129)	(25,285)
Fair value adjustment on financial instruments	**68,583**	**2,429**	**71,012**	(6,945)	889	(6,056)
Fair value adjustment on real estate assets	**770,561**	**(42,152)**	**728,409**	25,989	(3,304)	22,685
Gain on sale of real estate assets, net of related costs	**10,654**	**250**	**10,904**	3,765	20,777	24,542
Net income before income taxes and non-controlling interest	**1,066,144**	**923**	**1,067,067**	367,004	769	367,773
Income tax (expense) recovery	**(105,192)**	**(179)**	**(105,371)**	22,708	(81)	22,627
Net income before non-controlling interest	**960,952**	**744**	**961,696**	389,712	688	390,400
Non-controlling interest	**—**	**(744)**	**(744)**	—	(688)	(688)
Net income	**960,952**	**—**	**960,952**	389,712	—	389,712
Other comprehensive income						
Items that are or may be reclassified subsequently to net income	**393,445**	**—**	**393,445**	1,421	—	1,421
Total comprehensive income attributable to unitholders	**$1,354,397**	**$—**	**$1,354,397**	$391,133	$—	$391,133

(1) The REIT's proportionate share is a non-GAAP measure.

Same-Property net operating income (cash basis)

The following table reconciles net operating income per the REIT’s Financial Statements to Same-Property net operating income (cash basis):

	Three months ended September 30			Nine months ended September 30		
(in thousands of Canadian dollars)	**2022**	2021	Change	**2022**	2021	Change
Rentals from investment properties	**$213,709**	$268,792	($55,083)	**$617,805**	$799,586	($181,781)
Property operating costs	**(65,342)**	(86,624)	21,282	**(230,968)**	(307,845)	76,877
Net operating income per the REIT's Financial Statements	**148,367**	182,168	(33,801)	**386,837**	491,741	(104,904)
Adjusted for:						
Net income (loss) from equity accounted investments[1]	**22,211**	16,154	6,057	**64,088**	48,126	15,962
Straight-lining of contractual rent at the REIT's proportionate share[1]	**(3,388)**	(2,139)	(1,249)	**(3,302)**	(22,607)	19,305
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share[1][2]	**(12,056)**	(11,777)	(279)	**12,600**	12,192	408
Net operating income (cash basis) from Transactions at the REIT's proportionate share[1]	**(33,897)**	(75,667)	41,770	**(102,095)**	(222,352)	120,257
Same-Property net operating income (cash basis)[1]	**$121,237**	$108,739	$12,498	**$358,128**	$307,100	$51,028

(1) These are non-GAAP measures.
(2) The allocation of realty taxes in accordance with IFRIC 21 (in thousands of Canadian dollars) at the REIT’s proportionate share by operating segment for the nine months ended September 30, 2022 is as follows: (i) Residential: $7,317; (ii) Industrial: $114; (iii) Office: $3,069; and (iv) Retail: $2,100.

NAV per Unit

The following table reconciles Unitholders’ equity per Unit to NAV per Unit[2]:

Unitholders’ Equity per Unit and NAV per Unit	**September 30**	December 31
(in thousands except for per Unit amounts)	**2022**	2021
Unitholders' equity	**$5,725,118**	$4,773,833
Exchangeable units	**186,932**	216,841
Deferred tax liability	**496,227**	350,501
Total	**$6,408,277**	$5,341,175
Units outstanding	**265,885**	288,440
Exchangeable units outstanding	**17,974**	13,344
Total	**283,859**	301,784
Unitholders' equity per Unit[1]	**$21.53**	$16.55
NAV per Unit[2]	**$22.58**	$17.70

(1) Unitholders’ equity per Unit is calculated by dividing unitholders’ equity by Units outstanding.
(2) This is a Non-GAAP ratio.

Funds from Operations and Adjusted Funds from Operations

The following table reconciles net income (loss) per the REIT's Financial Statements to FFO and AFFO:

FFO AND AFFO	Three Months ended September 30		Nine months ended September 30	
(in thousands of Canadian dollars except per Unit amounts)	**2022**	2021	**2022**	2021
Net income (loss) per the REIT's Financial Statements	**($121,496)**	$135,320	**$960,952**	$389,712
Realty taxes in accordance with IFRIC 21	**(10,831)**	(10,484)	**11,284**	11,014
FFO adjustments from equity accounted investments	**70,253**	(18,510)	**41,749**	(15,078)
Exchangeable unit distributions	**2,484**	2,317	**7,324**	7,452
Fair value adjustments on financial instruments and real estate assets	**195,436**	37,409	**(839,144)**	(19,044)
Fair value adjustment to unit-based compensation	**(8,300)**	(2,393)	**(4,304)**	5,147
(Gain) loss on sale of real estate assets, net of related costs	**857**	467	**(10,654)**	(3,765)
Deferred income tax (expense) recovery applicable to U.S. Holdco	**(35,146)**	(24,359)	**104,204**	(23,499)
Incremental leasing costs	**607**	1,593	**1,841**	4,854
The Bow and 100 Wynford non-cash rental income and accretion adjustment	**(7,941)**	—	**(19,943)**	—
FFO(1)	**$85,923**	$121,360	**$253,309**	$356,793
Straight-lining of contractual rent	**(3,400)**	(2,050)	**(3,232)**	(22,320)
Rent amortization of tenant inducements	**1,162**	1,150	**3,482**	3,408
Capital expenditures	**(7,884)**	(12,148)	**(19,851)**	(28,515)
Leasing expenses and tenant inducements	**(1,178)**	(3,378)	**(3,642)**	(12,128)
Incremental leasing costs	**(607)**	(1,593)	**(1,841)**	(4,854)
AFFO adjustments from equity accounted investments	**(1,317)**	(1,191)	**(3,372)**	(2,786)
AFFO(1)	**$72,699**	$102,150	**$224,853**	$289,598
Weighted average number of Units and exchangeable units (in thousands of Units)(2)	**284,734**	301,775	**293,115**	301,770
Diluted weighted average number of Units and exchangeable units (in thousands of Units)(2)(3)	**285,751**	302,338	**294,132**	302,332
FFO per basic Unit(4)	**$0.302**	$0.402	**$0.864**	$1.182
FFO per diluted Unit(4)	**$0.301**	$0.401	**$0.861**	$1.180
AFFO per basic Unit(4)	**$0.255**	$0.338	**$0.767**	$0.960
AFFO per diluted Unit(4)	**$0.254**	$0.338	**$0.764**	$0.958
Cash Distributions per Unit(5)	**$0.137**	$0.173	**$0.402**	$0.518
Payout ratio as a % of FFO(4)	**45.4%**	43.0%	**46.5%**	43.8%
Payout ratio as a % of AFFO(4)	**53.7%**	51.2%	**52.4%**	54.0%

(1) These are non-GAAP measures.

(2) For the three and nine months ended September 30, 2022, included in the weighted average and diluted weighted average number of Units are exchangeable units of 18,130,185 and 18,156,897, respectively. For the three and nine months ended September 30, 2021, included in the weighted average and diluted weighted average number of Units are exchangeable units of 13,435,071 and 14,368,576, respectively.

(3) For the three and nine months ended September 30, 2022, included in the determination of diluted FFO and AFFO with respect to H&R's Incentive Unit Plan are 1,016,994 Units. For the three and nine months ended September 30, 2021, included in the determination of diluted FFO and AFFO with respect to H&R's Incentive Unit Plan are 562,485 Units.

(4) These are non-GAAP ratios.

(5) H&R's current monthly distribution is $0.0458 per Unit, which increased from $0.0433 per Unit in May 2022. Following the Primaris Spin-Off on December 31, 2021, Primaris REIT announced a monthly distribution of $0.067 per Primaris REIT unit, reflecting $0.80 per Primaris REIT unit on an annualized basis (equivalent to $0.20 per Unit annually prior to the Primaris Spin-Off and 4:1 consolidation of Primaris REIT units). The Primaris REIT distribution, together with H&R's intended annual distribution for 2022 of $0.54 per Unit equates to a combined distribution of $0.74 per Unit for those investors that held Units as at December 31, 2021 and continue to hold both their Units and Primaris REIT units, which is a 7.2% increase over the $0.69 per Unit paid by H&R in 2021.

For further information

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