H&R REIT Reports Strong First Quarter 2023 Results

Toronto, Ontario, May 12, 2023 - H&R Real Estate Investment Trust ("H&R" or "the REIT") (TSX: HR.UN) is pleased to announce its financial results for the three months ended March 31, 2023.

"Our portfolio transformational plan is producing strong financial results across all property classes," said Tom Hofstedter, Executive Chair and Chief Executive Officer. "Subsequent to the end of the first quarter, we completed an important property disposition with the sale of 160 Elgin, continued to unlock value through the rezoning of select office properties, and enhanced our balance sheet with reduced leverage and increased liquidity, moving H&R closer to achieving our portfolio simplification strategy goals. We will continue to act on our transformational strategic repositioning plan, as we have been doing since its announcement on October 27, 2021, with discipline, transacting when we can to surface value for our unitholders. Given the line of sight we have into our current disposition pipeline, and the demand we are seeing for our properties, we expect to sell an additional $300 million of non-core assets during the balance of 2023 including the retail sale we are announcing today."

Mr. Hofstedter added, "As we approach our annual general meeting in June, on behalf of H&R Unitholders, I'd like to thank Ronald Rutman for his years of service as a Trustee on H&R's Board, including eight years as Chair, and most recently as Vice-Chair and Lead Independent Trustee. We are delighted to have welcomed Donald Clow, Lead Independent Trustee, to the Board where his expertise and guidance will be invaluable as we seek to accelerate the REIT's transformation strategy. We have also nominated two experienced Trustees, who are standing for election at the AGM, Lindsay Brand and Leonard Abramsky. Upon their appointments, the Board will be comprised of 40% women. With the unwavering support of this distinguished Board, the H&R team continues to have clear direction as we execute our repositioning strategy."

HIGHLIGHTS:

- Net operating income increased by 5.3% for the three months ended March 31, 2023 compared to the respective 2022 period.

- Same-Property net operating income (cash basis)[1] increased by 10.5% for the three months ended March 31, 2023 compared to the respective period in 2022 driven by healthy gains across our operating segments:

• Residential	+21.3%	Driven by strong rent growth and the strengthening of the U.S. dollar
• Industrial	+10.2%	Driven by strong rent growth and higher occupancy
• Retail	+6.2%	Driven by the strengthening of the U.S. dollar
• Office	+5.4%	Driven by the strengthening of the U.S. dollar and lease terminations

- Funds From Operations ("FFO")[1] per Unit grew 11.1% to $0.31 per Unit for the three months ended March 31, 2023 compared to $0.279 per Unit for the respective period in 2022. The REIT distributed 48.4%[2] of FFO to Unitholders for the three months ended March 31, 2023;

- Cash distributions per unit increased by 15.0% for the three months ended March 31, 2023 compared to the respective 2022 period;

- Unitholders' equity per Unit was $20.72 and Net Asset Value ("NAV") per Unit[2] was $21.95 at March 31, 2023. The following weighted average capitalization rates were used to value the REIT's investment properties:

• Residential	4.31 %	• Office (general)	6.99 %
• Industrial	5.20 %	• Office (rezoning)	4.52 %
• Retail	6.40 %		

(1) These are non-generally accepted accounting principles ("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 of this news release.

FINANCIAL HIGHLIGHTS

	March 31	December 31
	2023	2022
Total assets (in thousands)	**$11,449,189**	$11,412,603
Debt to total assets per the REIT's Financial Statements[1]	**34.4%**	34.4%
Debt to total assets at the REIT's proportionate share[1][2]	**43.9%**	44.0%
Unitholders' equity (in thousands)	**5,511,036**	5,487,287
Units outstanding (in thousands)	**266,015**	265,885
Exchangeable units outstanding (in thousands)	**17,974**	17,974
Unitholders' equity per Unit	**$20.72**	$20.64
NAV per Unit[2]	**$21.95**	$21.80

	Three months ended March 31	
	2023	2022
Rentals from investment properties (in millions)	**$218.3**	$201.7
Net operating income (in millions)	**$97.3**	$92.4
Same-Property net operating income (cash basis) (in millions)[3]	**$133.3**	$120.6
Net income from equity accounted investments (in millions)	**$9.9**	$44.9
Fair value adjustment on real estate assets (in millions)	**$85.0**	$1,022.5
Net income (in millions)	**$94.8**	$970.0
Funds from operations ("FFO") (in millions)[3]	**$87.9**	$84.4
Adjusted funds from operations ("AFFO") (in millions)[3]	**$73.7**	$77.1
Weighted average number of Units and exchangeable units for FFO (in thousands)	**283,892**	302,453
FFO per basic Unit[2]	**$0.310**	$0.279
AFFO per basic Unit[2]	**$0.260**	$0.255
Cash Distributions per Unit	**$0.150**	$0.130
Payout ratio as a % of FFO[2]	**48.4%**	46.6%
Payout ratio as a % of AFFO[2]	**57.7%**	51.0%

(1) Debt includes mortgages payable, debentures payable, unsecured term loans, lines of credit and liabilities classified as held for sale.
(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.

Senior Leadership Changes

As previously announced on May 10, 2023, Philippe Lapointe stepped down as President of H&R and as an officer of H&R's subsidiary, Lantower Residential. Effective immediately, Emily Watson, Lantower's Chief Operating Officer, has assumed leadership and the strategic direction of Lantower Residential.

SUMMARY OF SIGNIFICANT Q1 2023 ACTIVITY

2023 Net Operating Income Highlights:

	Three months ended March 31		
(in thousands of Canadian dollars)	**2023**	2022	% Change
Operating Segment:			
Same-Property net operating income (cash basis) - Residential[1]	**$40,161**	$33,112	21.3%
Same-Property net operating income (cash basis) - Industrial[1]	**16,532**	14,999	10.2%
Same-Property net operating income (cash basis) - Office[1]	**52,271**	49,612	5.4%
Same-Property net operating income (cash basis) - Retail[1]	**24,316**	22,903	6.2%
Same-Property net operating income (cash basis)[1]	**133,280**	120,626	10.5%
Net operating income (cash basis) from Transactions at the REIT's proportionate share[1]	**29,999**	32,139	(6.7)%
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share[1][2]	**(45,798)**	(40,902)	(12.0)%
Straight-lining of contractual rent at the REIT's proportionate share[1]	**3,758**	154	2340.3%
Net operating income from equity accounted investments[1]	**(23,939)**	(19,594)	(22.2)%
Net operating income per the REIT's Financial Statements	**$97,300**	$92,423	5.3%

(1) These are non-GAAP measures. Refer to the *"Non-GAAP Measures"* section of this news release.
(2) IFRIC 21 is defined in the "Non-GAAP Measures" section of this news release.

Subsequent Property Dispositions

In April 2023, H&R sold 160 Elgin Street, a 973,661 square foot office property in Ottawa, ON for $277.0 million, which was classified as held for sale as at March 31, 2023. H&R provided two vendor take-back mortgages to the purchaser upon closing: (i) $180.0 million secured by a first mortgage on the property, bearing interest at 6.5% per annum for 90 days, maturing July 20, 2023 and (ii) $30.0 million which will be subordinate to the first mortgage on the property, bearing interest at 4.5% per annum for a five-year term, maturing April 20, 2028. The remaining proceeds of $67.0 million were primarily used to repay debt and fund closing costs. Approximately $33.0 million of the $67.0 million will be used to repurchase Units, under the REIT's normal course issuer bid, which are currently trading at a significant discount to the REIT's NAV per Unit.

In May 2023, H&R entered into an agreement to sell four Canadian retail properties for aggregate gross proceeds of $68.0 million. Closing of the sale remains subject to certain customary conditions being satisfied and is expected to occur in July 2023.

2023 Distribution Increase

H&R increased its monthly distributions to $0.05 per Unit commencing January 2023. This amounts to $0.60 per Unit annually, an 11.1% increase from the 2022 distribution of $0.54 per Unit, excluding the 2022 special cash distribution.

The 2022 special distribution of $0.40 per Unit was comprised of $0.05 per Unit in cash and $0.35 per Unit in additional Units, which were immediately consolidated such that there was no change in the number of outstanding Units. As a result of the recently announced property sales, H&R expects to make a special distribution in 2023. The amount and nature of such distribution will be determined in Q4 2023.

For the three months ended March 31, 2023, H&R's payout ratio as a percentage of AFFO was 57.7%.

Major Leasing Transactions:

In Q1 2023, H&R completed a 5-year lease renewal on a 132,735 square foot industrial property in Mississauga, ON, at H&R's ownership interest. The original lease expired in February 2023 and rent increased by 269% commencing in March 2023 with annual contractual rent escalations. The tenant had a free rent period for March and April 2023.

In Q1 2023, H&R completed a 5-year lease renewal on a 37,600 square foot industrial property in Mississauga, ON, at H&R's ownership interest. The original lease will expire in July 2023 and rent will increase by 232% commencing in August 2023 with contractual rent escalations. The tenant has a free rent period for the months of August 2023, August 2024 and August 2025.

In Q1 2023, H&R entered into a lease amendment with its tenant at 6900 Maritz Drive in Mississauga, ON to terminate their lease in December 2023. The terms of the rental payments to December 2023 have not changed. The previous lease term would have ended in May 2031. H&R received a lease termination fee of approximately $0.9 million in Q1 2023 and will receive an additional $2.5 million in Q3 2023. 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 nil was recorded in Q1 2023 and $0.8 million, ($1.8) million, and $0.8 million will be recorded in Q2 2023, Q3 2023 and Q4 2023 respectively. H&R is preparing a Site Plan application for submission to the City of Mississauga for a new single story 122,400 square foot industrial building, which would replace the existing 104,689 square foot office building. Site Plan approval is expected by Q4 2023.

Development Update

Canadian Properties under Development

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 Q4 2023 and Q1 2024, respectively. The total development budget to complete these two properties is approximately $40.2 million. In October 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. The lease was completed in February 2023. In March 2023, H&R entered into a lease agreement with UAP Inc. to fully lease 1925 Meadowvale Boulevard, totalling 149,510 square feet, for a term of 12.5 years at current market rents with annual contractual rental escalations.

U.S. Properties under Development

The REIT commenced construction on two U.S. residential development properties in 2022. The total development budget to complete these two properties is approximately U.S. $150.5 million. The REIT expects its construction costs for these two properties under development to be approximately U.S. $101.2 million for the remainder of 2023 and U.S. $49.2 million in 2024.

Future Intensification

On February 27, 2023, H&R attended a settlement hearing with the Ontario Land Tribunal ("OLT") for 53 & 55 Yonge Street in Toronto, ON where H&R received a settlement decision from the OLT for a 66-storey mixed use tower representing approximately 550,000 square feet, including approximately 510 residential units with approximately 170,000 square feet of replacement office area and approximately 10,000 square feet of retail area. H&R is now working on a re-submission to reflect minor tweaks negotiated with the City of Toronto and H&R's neighbours as a part of the settlement, and is targeting finalized re-zoning in Q2 2023.

On March 10, 2023, H&R reached a verbal agreement with the City of Toronto for 310 Front Street in Toronto, ON, for a 65-storey mixed use tower representing approximately 550,000 square feet, including approximately 575 residential units with approximately 117,000 square feet of replacement office area and approximately 2,000 square feet of retail area. H&R has made a re-submission reflecting minor tweaks negotiated with the City of Toronto, and a positive Staff Report is slated to head to Council in Q2 2023.

Debt & Liquidity Highlights

In January 2023, H&R redeemed all of its $250.0 million Series O Senior Debentures, which bore interest at 3.416% per annum.

In March 2023, H&R and its co-owner obtained a new $275.0 million non-revolving secured credit facility, at H&R's ownership interest, secured by 42 industrial properties. Upon closing, the REIT and its co-owner repaid $12.5 million outstanding on its secured revolving $25.0 million line of credit facility which matured as a part of closing this new facility, each at H&R's ownership interest.

During the three months ended March 31, 2023, H&R repaid two mortgages totalling $13.3 million at a weighted average interest rate of 4.7%.

As at March 31, 2023, debt to total assets per the REIT's Financial Statements was 34.4% unchanged from 34.4% as at December 31, 2022. As at March 31, 2023, debt to total assets at the REIT's proportionate share (a non-GAAP ratio) was 43.9% compared to 44.0% as at December 31, 2022. The weighted average interest rate of H&R's debt as at March 31, 2023 was 4.0% with an average term to maturity of 3.1 years. The weighted average interest rate of H&R's debt as at December 31, 2022 was 3.8% with an average term to maturity of 3.2 years.

As at March 31, 2023, H&R had cash and cash equivalents of $68.4 million, $879.7 million available under its unused lines of credit and an unencumbered property pool of approximately $4.5 billion.

ESG UPDATE

On March 13, 2023, H&R REIT announced the appointment of Donald Clow to the REIT's Board of Trustees. Mr. Clow fills the vacancy left by Ronald Rutman, who resigned from the Board following a successful term as Vice-Chair and Independent Lead Trustee. Subsequent to his appointment, the Trustees appointed Mr. Clow as Independent Lead Trustee of the REIT's Board of Trustees.

On April 25, 2023, H&R announced the nominations of two Trustees to the Board, Lindsay Brand and Leonard Abramsky. Upon their appointments, the H&R Board of Trustees will be comprised of 40% women.

MONTHLY DISTRIBUTIONS DECLARED

H&R today declared distributions for the months of May and June scheduled as follows:

	Distribution/Unit	Annualized	Record date	Distribution date
May 2023	$0.05	$0.60	May 31, 2023	June 15, 2023
June 2023	$0.05	$0.60	June 30, 2023	July 14, 2023

CONFERENCE CALL AND WEBCAST

Management will host a conference call to discuss the financial results of the REIT on Friday, May 12, 2023 at 3.00 p.m. Eastern Time. Participants can join the call by dialing 1-888-886-7786 or 1-416-764-8658. 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 779694 followed by the "#" key. The telephone replay will be available until Friday, May 19, 2023 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.

2023 Annual Unitholders' Meeting

H&R will host its annual Unitholders' meeting on Thursday, June 15, 2023 at 10.30 a.m. Eastern Time (by virtual meeting only via live audio webcast at https://central.virtualshareholdermeeting.com/vsm/web?pvskey=HRREIT2023).

About H&R REIT

H&R REIT is one of Canada's largest real estate investment trusts with total assets of approximately $11.4 billion as at March 31, 2023. 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's strategy is to create a simplified, growth-oriented business focused on residential and industrial properties in order to create sustainable long term value for unitholders. H&R plans to sell its office and retail properties as market conditions permit. H&R's target is to be a leading owner, operator and developer of 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.

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 heading "Summary of Significant Q1 2023 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 take advantage of value-creating opportunities, H&R's transformational strategic repositioning plan and its strategy to grow its exposure to residential assets in U.S. sunbelt and gateway cities, leasing of the REIT's investment properties, including expected lease expiration dates, H&R's expectation regarding the sale of non-core assets, 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 square footage, expected approvals and the timing thereof, capitalization rates and cash flow models used to estimate fair values, expectations regarding future operating fundamentals, future growth in Same-Property net operating income (cash basis), H&R's intention to repurchase Units in the open market, H&R's beliefs regarding the benefits of persons who hold Units, management's expectations regarding future distributions by the REIT, 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 assumptions relating to the general economy, including the effects of increased inflation; debt markets continue to provide access to capital at a reasonable cost, notwithstanding rising interest rates; and assumptions concerning currency exchange and interest rates including, for the purposes of expected Same-Property net operating income (cash basis) growth, that there won't be any change in the currency exchange rate. Additional risks and uncertainties include, among other things, risks related to: 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; capital expenditures risk; currency risk; liquidity risk; risks associated with disease outbreaks; cyber security risk; financing credit risk; ESG and climate change risk; co-ownership interest in properties; general uninsured losses; joint arrangement and investment risks; dependence on key personnel and succession planning; potential acquisition, investment and disposition opportunities and joint venture arrangements; potential undisclosed liabilities associated with acquisitions; competition for real property investments; Unit price risk; potential conflicts of interest; availability of cash for distributions; credit ratings; ability to access capital markets; dilution; unitholder liability; redemption right risk; risks relating to debentures; tax risk; additional tax risks applicable to unitholders; investment eligibility; 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 May 12, 2023 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 financial statements of the REIT and related notes for the three months ended March 31, 2023 (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's discussion and analysis as at and for the three months ended March 31, 2023, 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:

	March 31, 2023			December 31, 2022		
(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	**$8,787,019**	**$2,106,630**	**$10,893,649**	$8,799,317	$2,128,306	$10,927,623
Properties under development	**956,642**	**94,368**	**1,051,010**	880,778	89,912	970,690
	9,743,661	**2,200,998**	**11,944,659**	9,680,095	2,218,218	11,898,313
Equity accounted investments	**1,052,722**	**(1,052,722)**	**—**	1,060,268	(1,060,268)	—
Assets classified as held for sale	**275,000**	**—**	**275,000**	294,028	—	294,028
Other assets	**309,386**	**20,363**	**329,749**	301,325	21,892	323,217
Cash and cash equivalents	**68,420**	**38,546**	**106,966**	76,887	38,443	115,330
	$11,449,189	**$1,207,185**	**$12,656,374**	$11,412,603	$1,218,285	$12,630,888
Liabilities and Unitholders' Equity						
Liabilities						
Debt	**$3,943,414**	**$1,126,076**	**$5,069,490**	$3,922,529	$1,137,210	$5,059,739
Exchangeable units	**226,475**	**—**	**226,475**	217,668	—	217,668
Deferred Revenue	**976,879**	**—**	**976,879**	986,243	—	986,243
Deferred tax liability	**494,874**	**—**	**494,874**	483,048	—	483,048
Accounts payable and accrued liabilities	**296,511**	**58,914**	**355,425**	309,505	58,502	368,007
Liabilities classified as held for sale	**—**	**—**	**—**	6,323	—	6,323
Non-controlling interest	**—**	**22,195**	**22,195**	—	22,573	22,573
	5,938,153	**1,207,185**	**7,145,338**	5,925,316	1,218,285	7,143,601
Unitholders' equity	**5,511,036**	**—**	**5,511,036**	5,487,287	—	5,487,287
	$11,449,189	**$1,207,185**	**$12,656,374**	$11,412,603	$1,218,285	$12,630,888

(1) The REIT's proportionate share is a non-GAAP measure defined in the "Non-GAAP Measures" section of this news release.

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:

	Three months ended March 31, 2023			Three months ended March 31, 2022		
(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	**$218,295**	**$37,594**	**$255,889**	$201,702	$30,854	$232,556
Property operating costs	**(120,995)**	**(13,655)**	**(134,650)**	(109,279)	(11,260)	(120,539)
Net operating income	**97,300**	**23,939**	**121,239**	92,423	19,594	112,017
Net income from equity accounted investments	**9,896**	**(9,851)**	**45**	44,853	(44,834)	19
Finance costs - operations	**(54,971)**	**(11,895)**	**(66,866)**	(55,286)	(8,799)	(64,085)
Finance income	**1,757**	**60**	**1,817**	2,546	3	2,549
Trust expenses	**(8,091)**	**(754)**	**(8,845)**	(7,249)	(776)	(8,025)
Fair value adjustment on financial instruments	**(19,877)**	**300**	**(19,577)**	(591)	676	85
Fair value adjustment on real estate assets	**84,991**	**13**	**85,004**	1,022,537	33,783	1,056,320
Gain (loss) on sale of real estate assets, net of related costs	**(497)**	**(1,629)**	**(2,126)**	(28)	733	705
Net income before income taxes and non-controlling interest	**110,508**	**183**	**110,691**	1,099,205	380	1,099,585
Income tax expense	**(15,706)**	**(12)**	**(15,718)**	(129,214)	(80)	(129,294)
Net income before non-controlling interest	**94,802**	**171**	**94,973**	969,991	300	970,291
Non-controlling interest	**—**	**(171)**	**(171)**	—	(300)	(300)
Net income	**94,802**	**—**	**94,802**	969,991	—	969,991
Other comprehensive loss:						
Items that are or may be reclassified subsequently to net income	**(32,872)**	**—**	**(32,872)**	(37,102)	—	(37,102)
Total comprehensive income attributable to unitholders	**$61,930**	**$—**	**$61,930**	$932,889	$—	$932,889

(1) The REIT's proportionate share is a non-GAAP measure defined in the "Non-GAAP Measures" section of this news release.

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 March 31		
(in thousands of Canadian dollars)	**2023**	2022	Change
Rentals from investment properties	**$218,295**	$201,702	$16,593
Property operating costs	**(120,995)**	(109,279)	(11,716)
Net operating income per the REIT's Financial Statements	**97,300**	92,423	4,877
Adjusted for:			
Net operating income from equity accounted investments[1]	**23,939**	19,594	4,345
Straight-lining of contractual rent at the REIT's proportionate share[1]	**(3,758)**	(154)	(3,604)
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share[1]	**45,798**	40,902	4,896
Net operating income (cash basis) from Transactions at the REIT's proportionate share[1]	**(29,999)**	(32,139)	2,140
Same-Property net operating income (cash basis)[1]	**$133,280**	$120,626	$12,654

(1) These are non-GAAP measures as defined in the "Non-GAAP Measures" section of this news release.

NAV per Unit

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

Unitholders' Equity per Unit and NAV per Unit (in thousands except for per Unit amounts)	**March 31 2023**	December 31 2022
Unitholders' equity	**$5,511,036**	$5,487,287
Exchangeable units	**226,475**	217,668
Deferred tax liability	**494,874**	483,048
Total	**$6,232,385**	$6,188,003
Units outstanding	**266,015**	265,885
Exchangeable units outstanding	**17,974**	17,974
Total	**283,989**	283,859
Unitholders' equity per Unit[1]	**$20.72**	$20.64
NAV per Unit[2]	**$21.95**	$21.80

(1) Unitholders' equity per Unit is calculated by dividing unitholders' equity by Units outstanding.
(2) This is a Non-GAAP ratio defined in the "Non-GAAP Measures" section of this news release.

Funds from Operations and Adjusted Funds from Operations

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

FFO AND AFFO

(in thousands of Canadian dollars except per Unit amounts)	Three months ended March 31 2023	2022
Net income per the REIT's Financial Statements	**$94,802**	$969,991
Realty taxes in accordance with IFRIC 21	**42,181**	37,548
FFO adjustments from equity accounted investments	**4,933**	(31,328)
Exchangeable unit distributions	**2,696**	2,375
Fair value adjustments on financial instruments and real estate assets	**(65,114)**	(1,021,946)
Fair value adjustment to unit-based compensation	**1,296**	3,134
Loss on sale of real estate assets, net of related costs	**497**	28
Deferred income tax expense applicable to U.S. Holdco	**15,378**	128,850
Incremental leasing costs	**587**	617
The Bow and 100 Wynford non-cash rental income and accretion adjustments	**(9,364)**	(4,865)
FFO[1]	**$87,892**	$84,404
Straight-lining of contractual rent	**(3,624)**	(194)
Rent amortization of tenant inducements	**1,123**	1,160
Capital expenditures	**(9,232)**	(4,997)
Leasing expenses and tenant inducements	**(760)**	(1,841)
Incremental leasing costs	**(587)**	(617)
AFFO adjustments from equity accounted investments	**(1,140)**	(805)
AFFO[1]	**$73,672**	$77,110
Weighted average number of Units and exchangeable units (in thousands of Units)[2]	**283,892**	302,453
Diluted weighted average number of Units and exchangeable units (in thousands of Units)[2][3]	**285,004**	303,172
FFO per basic Unit[4]	**$0.310**	$0.279
FFO per diluted Unit[4]	**$0.308**	$0.278
AFFO per basic Unit[4]	**$0.260**	$0.255
AFFO per diluted Unit[4]	**$0.258**	$0.254
Cash Distributions per Unit	**$0.150**	$0.130
Payout ratio as a % of FFO[4]	**48.4%**	46.6%
Payout ratio as a % of AFFO[4]	**57.7%**	51.0%

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

(2) For the three months ended March 31, 2023 and 2022, included in the weighted average and diluted weighted average number of Units are exchangeable units of 17,974,186 and 18,060,192, respectively.

(3) For the three months ended March 31, 2023 and 2022, included in the determination of diluted FFO and AFFO with respect to H&R's Incentive Unit Plan are 1,111,914 Units and 718,878 Units, respectively.

(4) These are non-GAAP ratios defined in the "Non-GAAP Measures" section of this news release.

For further information

Larry Froom, Chief Financial Officer
416-635-7520, or

e-mail info@hr-reit.com

Additional information regarding H&R is available at www.hr-reit.com and on www.sedar.com