# H&R REIT Announces Agreement to Sell $232.5 million Toronto Office Property and Announces Regular Monthly and Special Distribution

Toronto, Ontario, December 13, 2023 - H&R Real Estate Investment Trust ("H&R" or "the REIT") (TSX: HR.UN) is pleased to announce that it has entered into an agreement to sell 25 Dockside Drive for $232.5 million to George Brown College and Halmont Properties Corporation (collectively, the "Purchaser"). 25 Dockside Drive is located directly on the waterfront in downtown Toronto, comprising 479,437 square feet and is substantially leased to Corus Entertainment. The expected closing for the sale is April 2024 and is subject to customary closing conditions. This sale is consistent with the REIT's strategic repositioning plan to surface significant value for unitholders, by transforming into a simplified, growth-oriented company focused on residential and industrial properties.

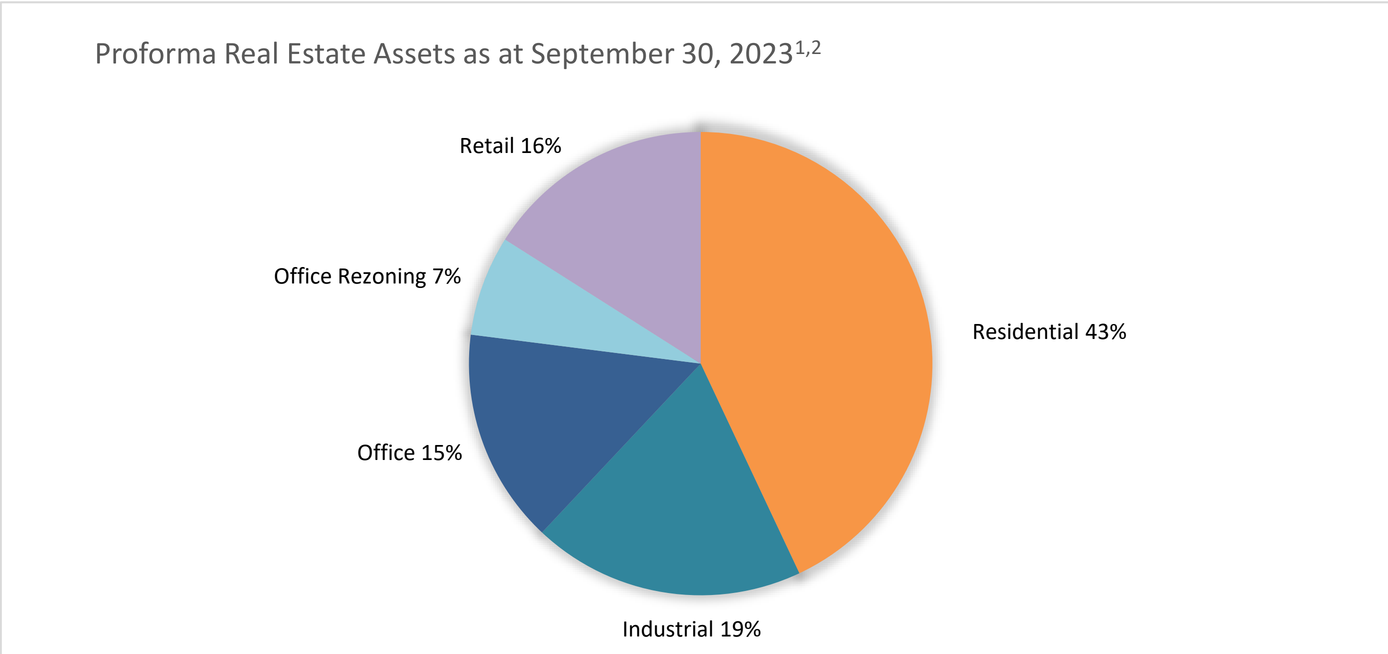
"Given the considerable headwinds in the public and private real estate markets, we are very pleased to have executed this transaction," said Tom Hofstedter, Executive Chairman and CEO. "This office sale furthers our strategic repositioning plan and moves H&R REIT closer to achieving our portfolio simplification strategy goals. We continue to execute our plan with discipline by transacting when we can surface fair value for our unitholders."

**Highlights**

- 25 Dockside Drive was valued at $225.0 million at September 30, 2023.
- Sale price represents an approximate 5.7% capitalization rate.
- 25 Dockside Drive is encumbered by a $60.0 million mortgage bearing interest at 4.9%.
- Net proceeds of approximately $168.0 million are expected to be used to repay debt and fund the REIT's current developments.
- 25 Dockside Drive represents approximately 9% of H&R's office portfolio (based on September 30, 2023 IFRS fair values).
- On a square footage basis, 25 Dockside Drive represents approximately 12% of the REIT's Canadian office portfolio at September 30, 2023.
- Out of the REIT's 20 remaining office properties, eight office properties are currently being rezoned for residential or industrial developments with expected increased density of approximately 2.7 million square feet at H&R's ownership interest.
- Improves the REIT's growth profile by increasing relative exposure to higher growth residential and industrial sectors.
- The REIT has sold 12 non-core properties totaling $432.9 million this year. Including 25 Dockside Drive, H&R's 2023 properties sold or under contract to be sold total $665.4 million, exceeding the disposition target of $600 million.

**Proforma Real Estate Assets**

H&R's proforma September 30, 2023 Real Estate Assets at the REIT's proportionate share[1], adjusted for the pending sale of 25 Dockside Drive, will be as follows:




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

(2) Excludes the Bow and 100 Wynford, as these properties were legally sold in October 2021 and August 2022, respectively.

**Monthly Distribution Declared**

H&R today declared a distribution for the month of December scheduled as follows:

| | Distribution per Unit | Annualized | Record date | Distribution date |
|---|---|---|---|---|
| December 2023 | $0.05 | $0.60 | December 29, 2023 | January 15, 2024 |

**2023 Special Distribution**

The REIT also announced today that it has declared a special distribution of $0.62 per Unit. The distribution will be payable in Units ($0.52 per Unit) and cash ($0.10 per Unit) to Unitholders of record as at December 29, 2023.

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, 2023. 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 15, 2024.

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.

**About H&R REIT**

H&R REIT is one of Canada's largest real estate investment trusts with total assets of approximately $11.1 billion as at September 30, 2023. H&R REIT has ownership interests in a North American portfolio comprised of high-quality residential, industrial, office and retail properties comprising over 27.1 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 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 strategic repositioning plan, the ability to surface value for unitholders, the REIT's growth profile, the intended sales and rezoning of office properties, portfolio exposure, the REIT's proforma real asset mix, the timing of closing and the use of proceeds from the sale of 25 Dockside Drive and the payment of distributions by the REIT. 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; the debt markets continuing to provide access to capital at a reasonable cost, notwithstanding rising interest rates; and assumptions concerning currency exchange and interest rates. Additional risks and uncertainties include, among other things, risks related to: real property ownership; current economic environment; credit risk and tenant concentration; lease rollover risk; interest rates and other debt-related risks; development risks; residential rental risk; capital expenditure risk; currency risk; liquidity risk; risks associated with disease outbreaks; cyber security risk; financing credit risk; ESG and climate change risk; coownership interest in properties; general uninsured losses; joint arrangements and investment risk; 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; and potential conflicts of interest; unit-price risk; availability of cash for distributions; 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 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 in this news release are qualified by these cautionary statements. These forward-looking statements are made as of today and H&R, except as required by applicable 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 consolidated financial statements of the REIT and related notes for the three and nine ended September 30, 2023 (the "REIT's Financial Statements") were prepared in accordance with International Financial Reporting Standard ("IAS") 34, Interim Financial Reporting. However, H&R's management uses a number of measures, including the REIT's proportionate share, which do not have meanings recognized or standardized under IAS 34 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 and nine months ended September 30, 2023, available at www.hr-reit.com and on the REIT's profile on SEDAR+ at www.sedarplus.com, which is incorporated by reference into this news release.

**For further information**

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