H&R REIT

FINANCIAL REPORT | Q1 2024

145 Wellington Street
Toronto, ON

ABOUT H&R REIT

H&R REIT is one of Canada's largest real estate investment trusts with total assets of approximately $10.9 billion as at March 31, 2024. H&R REIT has ownership interests in a North American portfolio comprised of high-quality residential, industrial, office and retail properties comprising over 26.8 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.

ABOUT THE COVER

145 Wellington St. W. is located at the interface between Toronto's Financial District and Entertainment District. The redevelopment contemplates the demolition of an existing 13 storey office building and the construction of an architecturally significant, 60 storey tower with 512 residential rental units, 155,000 square feet of office space and 1,000 square feet of retail space. Of these residences, approximately 57% will be larger, family-oriented two or three-bedroom units. The proximity to adjacent employment, entertainment, sports and numerous transportation options results in an unrivalled place to live, work and play. The tower will provide residents with spectacular views of the downtown core and Lake Ontario and will become a notable address to live and work.

ABOUT FORWARD-LOOKING STATEMENTS DISCLAIMER:

This document includes statements that are forward-looking because they are based on management's expectations about the future, and are not historical facts. Forward-looking statements include statements regarding H&R REIT's future plans, including the REIT's transformational strategic repositioning plan, including the objectives thereof, advancing rezoning of existing properties, the continued recycling of non-core office and retail properties and the exit over time from office and retail, H&R REIT's positioning for 2024, the sale of H&R's assets held for sale, and other statements. 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 REIT's current beliefs and are based on information currently available to management. For more information and a caution about using forward-looking information, see Section I, "Forward Looking Disclaimer" in the Management's Discussion and Analysis for the three months ended March 31, 2024.

MAY 14, 2024

FELLOW UNITHOLDERS,

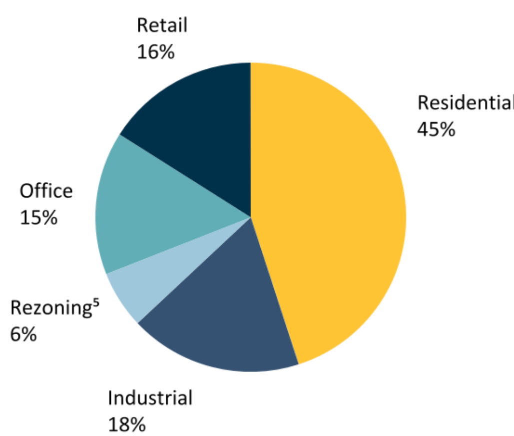
TOM HOFSTEDTER
Executive Chairman & CEO

Q1 2024 HIGHLIGHTS:

- Net operating income decreased by 3.2% compared to Q1 2023 primarily due to $460.4 million of property sales between January 1, 2023 and March 31, 2024.
- Same-Property net operating income (cash basis)(1) increased by 1.4% compared to Q1 2023 driven by various factors across H&R's operating segments:

• Residential	3.2%	Strong operating results from properties in gateway cities
• Industrial	5.1	Higher rent and occupancy
• Office	(3.7)%	Lower occupancy primarily from properties advancing through rezoning
• Retail	5.7%	Increase in occupancy at River Landing in Miami, FL.

- Funds From Operations ("FFO") per Unit(2) was $0.30 per Unit compared to $0.31 per Unit in Q1 2023. The REIT's payout ratio as a % of FFO(2) was 50.5% compared to 48.4% in Q1 2023.
- Overall portfolio occupancy was 96.4% at March 31, 2024.
- Unitholders' equity per Unit was $20.18 and Net Asset Value ("NAV") per Unit(2) was $21.05 at March 31, 2024.
- Liquidity was in excess of $805 million at March 31, 2024.
- Unencumbered assets(3) to unsecured debt(3) coverage was 2.2x as at March 31, 2024.
- As at March 31, 2024, properties sold or under contract to be sold in 2024 total $411.7 million.
- H&R's proforma March 31, 2024 real estate assets at the REIT's proportionate share(1)(4) post closing of the real estate assets held for sale is as follows:



(1) These are non-generally accepted accounting principles ("GAAP") measures. Refer to the "Non-GAAP Measures" section in the MD&A.
(2) These are non-GAAP ratios. Refer to the "Non-GAAP Measures" section in the MD&A.
(3) Unencumbered assets are investment properties and properties under development without encumbrances for mortgages or lines of credit. Unsecured debt includes debentures payable, unsecured term loans and unsecured lines of credit.
(4) Excludes the Bow and 100 Wynford, which were legally sold in October 2021 and August 2022, respectively.
(5) Includes six office real estate assets advancing through the rezoning and intensification process to be developed into residential properties.

FINANCIAL HIGHLIGHTS

	March 31 **2024**	December 31 2023
Total assets (in thousands)	**$10,874,352**	$10,777,643
Debt to total assets per the REIT's Financial Statements(1)	**34.7%**	34.2%
Debt to total assets at the REIT's proportionate share(1)(2)	**44.5%**	44.0%
Debt to Adjusted EBITDA at the REIT's proportionate share(1)(2)(3)	**8.8**	8.5
Unitholders' equity (in thousands)	**$5,283,580**	$5,192,375
Units outstanding (in thousands)	**261,880**	261,868
Exchangeable units outstanding (in thousands)	**17,974**	17,974
Unitholders' equity per Unit	**$20.18**	$19.83
NAV per Unit(2)	**$21.05**	$20.75

	Three months ended March 31	
	2024	2023
Rentals from investment properties (in millions)	**$209.5**	$218.3
Net operating income (in millions)	**$94.2**	$97.3
Same-Property net operating income (cash basis) (in millions)(4)	**$128.3**	$126.5
Net income from equity accounted investments (in millions)	**$12.6**	$9.9
Fair value adjustment on real estate assets (in millions)	**($44.2)**	$85.0
Net income (in millions)	**$31.8**	$94.8
FFO (in millions)(4)	**$83.1**	$87.9
Adjusted funds from operations ("AFFO") (in millions)(4)	**$68.8**	$73.7
Weighted average number of Units and exchangeable units for FFO (in 000's)	**279,847**	283,892
FFO per basic and diluted Unit(2)	**$0.297**	$0.310
AFFO per basic and diluted Unit(2)	**$0.246**	$0.260
Cash Distributions per Unit	**$0.150**	$0.150
Payout ratio as a % of FFO(2)	**50.5%**	48.4%
Payout ratio as a % of AFFO(2)	**61.0%**	57.7%

(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 the MD&A.
(3) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is calculated by taking the sum of net operating income (excluding straight-lining of contractual rent, IFRIC 21, as well as the Bow and 100 Wynford non-cash rental adjustments) and finance income and subtracting trust expenses (excluding the fair value adjustment to unit-based compensation) for the trailing 12 months. Refer to the "Non-GAAP Measures" section in the MD&A.
(4) These are non-GAAP measures. Refer to the "Non-GAAP Measures" section in the MD&A..

SUMMARY OF SIGNIFICANT Q1 2024 ACTIVITY

2024 Net Operating Income Highlights:

	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	% Change
Operating Segment:			
Same-Property net operating income (cash basis) - Residential[1]	**$42,340**	$41,026	3.2 %
Same-Property net operating income (cash basis) - Industrial[1]	**17,386**	16,535	5.1 %
Same-Property net operating income (cash basis) - Office[1]	**43,884**	45,560	(3.7) %
Same-Property net operating income (cash basis) - Retail[1]	**24,691**	23,367	5.7 %
Same-Property net operating income (cash basis)[1]	**128,301**	126,488	1.4 %
Net operating income (cash basis) from Transactions at the REIT's proportionate share[1][2]	**29,527**	36,791	(19.7) %
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share[1][3]	**(43,821)**	(45,798)	4.3 %
Straight-lining of contractual rent at the REIT's proportionate share[1]	**4,976**	3,758	32.4 %
Net operating income from equity accounted investments[1]	**(24,796)**	(23,939)	(3.6) %
Net operating income per the REIT's Financial Statements	**$94,187**	$97,300	(3.2) %

(1) These are non-GAAP measures. Refer to the "Non-GAAP Measures" section in the MD&A.
(2) Transactions includes acquisitions, dispositions, and transfers of investment properties to or from properties under development during the 15-month period ended March 31, 2024.
(3) Realty taxes in accordance with IFRS Interpretations Committee Interpretation 21, Levies ("IFRIC 21") relates to the timing of the liability recognition for U.S. realty taxes. By excluding the impact of IFRIC 21, U.S. realty tax expenses are evenly matched with realty tax recoveries received from tenants throughout the period.

Q1 2024 and Subsequent Transaction Highlights

Property Dispositions

In December 2023, H&R announced it had entered into an agreement to sell 25 Dockside Drive for $232.5 million. The property is an office property located directly on the waterfront in downtown Toronto, comprising 479,437 square feet and is substantially leased to Corus Entertainment. The sale closed in April 2024. The property was encumbered with a $60.0 million mortgage bearing interest at 4.9%, which was repaid on closing. H&R used the remaining proceeds to repay its lines of credit.

In March 2024, H&R sold two automotive-tenanted retail properties in Georgia totalling 23,830 square feet for approximately $10.3 million (U.S. $7.7 million).

In March 2024, H&R sold two vacant industrial properties and one single tenanted industrial property which was occupied by a tenant on a month-to-month lease in British Columbia, totalling 60,797 square feet for approximately $8.7 million, all at H&R's 50% ownership interest.

In March 2024, H&R sold a 155,552 square foot single tenanted industrial property in Varennes, QC for approximately $8.5 million, all at H&R's 50% ownership interest. The property was sold to the tenant who exercised its option to purchase.

In March 2024, H&R entered into an agreement to sell its 50% ownership interest in 3777/3791 Kingsway, Burnaby, BC (the "Kingsway Property") for $82.5 million. The Kingsway Property comprises 671,555 of office space. The sale is expected to close in May 2024 and is subject to customary closing conditions.

In addition, a tenant exercised their option to purchase one Canadian industrial property. Gross proceeds at H&R's 50% ownership interest are expected to be $60.7 million and closing is expected to occur in Q4 2024. H&R also entered into an agreement to sell its 100% ownership interest in one U.S. industrial property for approximately U.S. $6.3 million and closing is expected to occur in Q2 2024.

H&R continues to successfully execute on its strategic repositioning plan with properties sold or under contract to be sold in 2024 totalling approximately $411.7 million.

Development Update

Canadian Properties under Development

In January 2024, development of two of the REIT's industrial properties, 1965 and 1925 Meadowvale Boulevard in Mississauga, ON were substantially complete and transferred from properties under development to investment properties. The properties are fully leased with annual contractual rental escalations, with both leases commencing in February 2024 and expiring in May 2036 and January 2037, respectively. The REIT recognized a fair value increase of $19.3 million on these properties between the start of construction and substantial completion.

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. In January 2024, H&R received approval from the City of Mississauga to replace the existing 104,689 square foot office building on the property with a new 122,413 square foot industrial building. The property was transferred from investment properties to properties under development during Q1 2024. Demolition of the existing office building was completed in April 2024. Construction has commenced and substantial completion is expected in December 2024. As at March 31, 2024, the total development budget for this property is approximately $43.6 million with costs remaining to complete the new building of approximately $22.5 million.

U.S. Properties under Development

The REIT commenced construction on two U.S. residential development properties in 2022. As at March 31, 2024, the total development budget for these two properties is approximately $283.2 million (U.S. $209.8 million) with costs remaining to complete of approximately $88.6 million (U.S. $65.6 million). Both properties are expected to be completed on budget in the latter half of 2024.

Creation of Lantower Real Estate Development Trust

In February 2024, the REIT created Lantower Residential Real Estate Development Trust (No. 1) (the "REDT") which completed an initial public offering in April 2024 and raised U.S. $52.0 million of equity capital to acquire an interest in and fund the development of two residential development projects ("the Projects") in Florida that had been wholly-owned by a subsidiary of the REIT. The Projects are expected to contain an aggregate of 601 residential rental units. The REIT contributed the Projects to a joint venture with the REDT in exchange for a 29.1% ownership interest in the joint venture. The REIT will account for its ownership interest in the Projects as an equity accounted investment. The REDT will use the proceeds of the initial public offering, together with debt financing to develop the assets, commence lease-up and operate the Projects, and subsequently achieve a liquidity event. H&R retains an option to acquire the Projects. H&R will earn a development fee of 4% of the total hard and soft costs of the Projects (excluding land and financing costs) and a 1% asset management fee on gross proceeds raised by the REDT. H&R will also be entitled to 20% of the distribution proceeds over and above its pro-rata share of the equity after investors receive an 8% internal rate of return and 30% after investors receive a 15% internal rate of return.

Debt & Liquidity Highlights

In January 2024, H&R redeemed all of its $350.0 million Series N Senior Debentures, which bore interest at 3.369% per annum.

In February 2024, H&R completed a private placement of $250.0 million Series T Senior Debentures, bearing interest at 5.457% and maturing February 28, 2029.

As at March 31, 2024, H&R had cash and cash equivalents of $74.6 million, $730.7 million available under its unused lines of credit and an unencumbered property pool of approximately $4.3 billion.

Respectfully,

TOM HOFSTEDTER
Executive Chairman & Chief Executive Officer

EXPERIENCED AND TENURED EXECUTIVE TEAM

A RESULTS-ORIENTED LEADERSHIP TEAM

TOM HOFSTEDTER
Executive Chairman & CEO

LARRY FROOM, CPA/CA
CFO

ROBYN KESTENBERG
EVP, Office & Industrial

EMILY WATSON
COO,
Lantower Residential

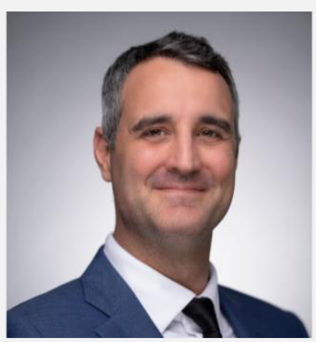
COLLEEN GRAHN
President, Property
Management
Lantower Residential

HUNTER WEBB
EVP, Development
Lantower Residential

TONY DUPLISSE
EVP, Portfolio
Management
Lantower Residential

CHERYL FRIED CPA/CA
EVP, Finance

BLAIR KUNDELL
EVP, Operations



MATT KINGSTON
EVP, Development
& Construction

AUDREY CRAIG
EVP, Accounting,
Lantower Residential

TERRESA PORIZEK
EVP,
Organization Development
Lantower Residential

REPOSITIONING FOR GROWTH

REPOSITION

- **Advance the rezoning** for redevelopment of approximately $698 million of office investment properties into predominantly upscale residential properties within growing markets
- **Exit Office** Over Time
- **Exit Retail** Over Time

GROWTH

- **Grow class A residential** property exposure through acquisitions and developments in **high growth U.S. gateway and sun belt cities**
- **Build and expand the institutional-quality distribution-focused industrial platform** through acquisition and development

DIVERSIFIED TO SIMPLIFIED

- Greater exposure to **higher growth asset classes**
- Greater exposure to **higher-growth markets**
- **Stronger and flexible balance sheet** to support growth

Supported by a strong, flexible balance sheet with an investment-grade credit rating

MANAGEMENT’S DISCUSSION AND ANALYSIS OF H&R REAL ESTATE INVESTMENT TRUST

For the three months ended March 31, 2024

Dated: May 14, 2024

TABLE OF CONTENTS

SECTION I

BASIS OF PRESENTATION

Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of H&R Real Estate Investment Trust ("H&R" or the "REIT") for the three months ended March 31, 2024 includes material information up to May 14, 2024. Financial data for the three months ended March 31, 2024 and 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the REIT and related notes for the three months ended March 31, 2024 ("REIT's Financial Statements"), together with the audited consolidated financial statements of the REIT and related notes and MD&A for the year ended December 31, 2023. All amounts in this MD&A are in thousands of Canadian dollars, except where otherwise stated. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

The Bow office property in Calgary, AB (the "Bow") was legally disposed of in October 2021. The 100 Wynford office property in Toronto, ON ("100 Wynford") was legally disposed of in August 2022. These transactions did not meet the criteria of a transfer of control under International Financing Reporting Standards ("IFRS") 15 *Revenue from Contracts with Customers* ("IFRS 15") as the REIT has an option to repurchase 100% of both of these properties in 2038 and 2036, respectively, or earlier under certain circumstances. As such, the REIT continues to recognize these income producing properties in the REIT's Financial Statements and MD&A. Certain operating metrics within this MD&A have been adjusted to exclude the impact of the Bow and 100 Wynford and H&R has identified these disclosures accordingly. Refer to the *"Other Liabilities - Deferred Revenue"* section of this MD&A for further information.

FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A 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 "Investment Properties", "Future Intensification Opportunities", "Other Liabilities", "Segment Information", "Liquidity and Capital Resources", "Environmental, Social and Governance", "Properties Under Development", "Equity Accounted Investments" and "Subsequent Events" 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 the statements made under the headings "Summary of Significant Q1 2024 Activity" including with respect to H&R's future plans and targets, H&R's intention to continue disposing of office and retail properties, H&R's strategy to grow its exposure to residential assets in U.S. sun belt and gateway cities, the ability of H&R to capture potential upside in the Calgary office market, significant development projects, leasing of the REIT's investment properties and the termination of existing leases, H&R's expectation with respect to the future developments and activities of its development properties, including the acquisition, development and use of new properties, the expected yield on cost from the REIT's development properties, the timing of construction and completion, expected construction costs, anticipated number of units and square footage, expected timing of approvals, H&R's expectations and intentions with respect to zoning and rezoning requests, the impact of the REIT's commitment to sustainability on its portfolio, the value of assets and liabilities held for sale, 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, 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 described below under "Risks and Uncertainties" and those 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 MD&A. 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 continuing to provide access to capital at a reasonable cost, notwithstanding the current interest rate environment; and assumptions concerning currency exchange and interest rates. Additional risks and uncertainties include, among other things, those related to:

real property ownership; the current economic environment; credit risk and tenant concentration; lease rollover risk; interest rate and other debt-related risks; development risks; residential rental risk; capital expenditure risk; currency risk; liquidity risk; cyber security risk; risks associated with disease outbreaks; 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; potential conflicts of interest; Unit prices; availability of cash for distributions; credit ratings; ability to access capital markets; dilution; unitholder liability; redemption right; investment eligibility; debentures; statutory remedies; tax risk; and tax risks applicable to the REIT and to unitholders. H&R cautions that these lists of factors, risks and uncertainties are not exhaustive. Although the forward-looking statements contained in this MD&A 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 MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements are made as of May 14, 2024 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.

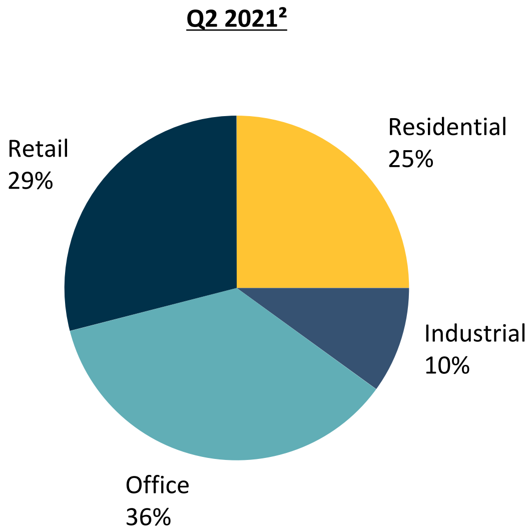
OVERVIEW AND STRATEGY

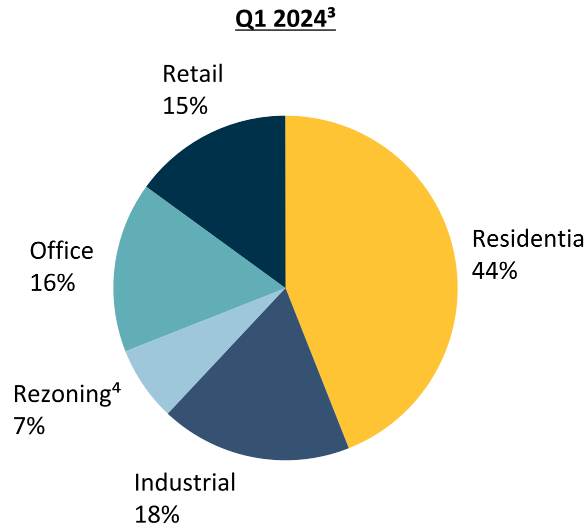
H&R is one of Canada's largest real estate investment trusts with total assets of approximately $10.9 billion as at March 31, 2024. H&R has ownership interests in a North American portfolio comprised of high-quality residential (operating as Lantower Residential), industrial, office and retail properties totalling approximately 26.9 million square feet. H&R is an unincorporated open-ended trust created by a declaration of trust ("H&R's Declaration of Trust") and governed by the laws of the Province of Ontario. H&R's units ("Units") are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol HR.UN. H&R's objective is to maximize net asset value ("NAV") per Unit through ongoing active management of H&R's assets and the development and construction of projects.

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 is currently undergoing a repositioning plan and intends to sell its office and retail properties as market conditions permit. H&R's vision 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. sun belt and gateway cities.

Since the announcement of H&R's Strategic Repositioning Plan on October 27, 2021, H&R has sold 51 investment properties totalling approximately $2.5 billion, including the Bow and 100 Wynford. In addition, H&R completed a spin off, on a tax-free basis, of 27 properties including all of the REIT's enclosed shopping centres to a new publicly-traded REIT, Primaris REIT, valued at approximately $2.4 billion.

Real Estate Assets[1]





(1) At the REIT's proportionate share, including assets classified as held for sale. Refer to the *"Non-GAAP Measures"* section of this MD&A.
(2) Q2 2021 has been used as a benchmark since H&R's Strategic Repositioning Plan was announced prior to the release of Q3 2021 results.
(3) Excludes the Bow and 100 Wynford, which were legally sold in October 2021 and August 2022, respectively.
(4) Includes eight office real estate assets advancing through the rezoning and intensification process to be developed into residential properties. This includes 3777 & 3791 Kingsway in Burnaby BC, which were both classified as held for sale as at March 31, 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As one of Canada's largest real estate investment trusts, H&R strives to lead by example and be a part of the ever-changing journey to a more sustainable future. Having an integrated and forward-thinking sustainability program is of utmost importance. H&R formally implemented its Sustainability Policy and established its Sustainability Committee in 2019. The REIT views sustainability as its responsibility to its unitholders in terms of transparency, to its employees in terms of communication, collaboration and opportunity, to its tenants in terms of providing healthy working and living environments and to the greatest extent, to the communities in which the REIT's employees live and the REIT does business.

H&R is committed to, among other things, investing responsibly, monitoring its use of resources and associated emissions, reducing consumption and pollution, increasing energy efficiency and integrating sustainability into the REIT's business, including the REIT's decision-making processes.

Key programs and initiatives are outlined in the *"Environmental, Social and Governance"* section of the REIT's annual MD&A for the year ended December 31, 2023 as well as H&R's Annual Information Form for the year ended December 31, 2023 ("2023 Annual Information Form"), each of which were filed with the securities regulatory authorities in each of the provinces of Canada and are available on SEDAR+ at www.sedarplus.com.

The REIT completed its 2022 Sustainability Report in October 2023, which highlights how the REIT's commitment to sustainability is manifesting itself in its portfolio and resulting in lasting changes for its properties, tenants, employees, stakeholders and communities at large.

For more information on H&R's Sustainability Policy and additional information about its Sustainability Committee, Sustainability Report and Sustainability Supplement as well as H&R's Green Financing Framework and Second-Party Opinion of Green Financing Framework, visit H&R's website under "Investor Relations - Sustainability". The contents of the REIT's website, including the REIT's Sustainability Policy, Sustainability Report and Sustainability Supplement, Green Financing Framework and Second-Party Opinion of Green Financing Framework, are expressly not incorporated by reference into, and do not form part of, this MD&A.

SECTION II

SUMMARY OF SIGNIFICANT Q1 2024 ACTIVITY

2024 Net Operating Income Highlights:

	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	% Change
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Net operating income per the REIT's Financial Statements	**$94,187**	$97,300	(3.2)%

[1] These are non-generally accepted accounting principles ("GAAP") measures. Refer to the *"Non-GAAP Measures"* section of this MD&A.
[2] Transactions are defined in the *"Net Operating Income"* section of this MD&A.
[3] IFRIC 21 is defined in the *"Non-GAAP Measures"* section of this MD&A.

Refer to the *"Net Operating Income"* section of this MD&A for further explanations on the net operating income changes for the three months ended March 31, 2024.

Q1 2024 and Subsequent Transaction Highlights

Property Dispositions

In December 2023, H&R announced it had entered into an agreement to sell 25 Dockside Drive for $232.5 million. The property is an office property located directly on the waterfront in downtown Toronto, comprising 479,437 square feet and is substantially leased to Corus Entertainment. The sale closed in April 2024. The property was encumbered with a $60.0 million mortgage bearing interest at 4.9%, which was repaid on closing. H&R used the remaining proceeds to repay its lines of credit.

In March 2024, H&R sold two automotive-tenanted retail properties in Georgia totalling 23,830 square feet for approximately $10.3 million (U.S. $7.7 million).

In March 2024, H&R sold two vacant industrial properties and one single tenanted industrial property which was occupied by a tenant on a month-to-month lease in British Columbia, totalling 60,797 square feet for approximately $8.7 million, all at H&R's 50% ownership interest.

In March 2024, H&R sold a 155,552 square foot single tenanted industrial property in Varennes, QC for approximately $8.5 million, all at H&R's 50% ownership interest. The property was sold to the tenant who exercised its option to purchase.

In March 2024, H&R entered into an agreement to sell its 50% ownership interest in 3777/3791 Kingsway, Burnaby, BC (the "Kingsway Property") for $82.5 million. The Kingsway Property comprises 671,555 of office space. The sale is expected to close in May 2024 and is subject to customary closing conditions.

In addition, a tenant exercised their option to purchase one Canadian industrial property. Gross proceeds at H&R's 50% ownership interest are expected to be $60.7 million and closing is expected to occur in Q4 2024. H&R also entered into an agreement to sell its 100% ownership interest in one U.S. industrial property for approximately U.S. $6.3 million and closing is expected to occur in Q2 2024.

H&R continues to successfully execute on its strategic repositioning plan with properties sold or under contract to be sold in 2024 totalling approximately $411.7 million.

Property Acquired for Future Development

In February 2024, H&R acquired a 75.0% ownership interest in approximately 4.0 acres of land at 459 Smith St. in Brooklyn, NY, in the newly rezoned Gowanus neighbourhood for approximately $103.3 million (U.S. $76.5 million) and assumed a $24.3 million (U.S. $18.0 million) mortgage upon closing. This acquisition was funded from funds held in escrow from previous U.S. asset dispositions. Gowanus is surrounded by Brooklyn's most exclusive neighborhoods including Park Slope, Carroll Gardens, Cobble Hill and Boerum Hill. The recent approval of the Special Gowanus Mixed Use District is set to bring approximately 10,000 new apartment units connected by a canal-front promenade and new streets. The REIT's site is expected to allow for 1,039 residential rental units as well as 101,827 square feet for commercial and community space.

Creation of Lantower Real Estate Development Trust

In February 2024, the REIT created Lantower Residential Real Estate Development Trust (No. 1) (the "REDT") which completed an initial public offering in April 2024 and raised U.S. $52.0 million of equity capital to acquire an interest in and fund the development of two residential development projects ("the Projects") in Florida that had been wholly-owned by a subsidiary of the REIT. The Projects are expected to contain an aggregate of 601 residential rental units. The REIT contributed the Projects to a joint venture with the REDT in exchange for a 29.1% ownership interest in the joint venture. The REIT will account for its ownership interest in the Projects as an equity accounted investment. The REDT will use the proceeds of the initial public offering, together with debt financing to develop the assets, commence lease-up and operate the Projects, and subsequently achieve a liquidity event. H&R retains an option to acquire the Projects. H&R will earn a development fee of 4% of the total hard and soft costs of the Projects (excluding land and financing costs) and a 1% asset management fee on gross proceeds raised by the REDT. H&R will also be entitled to 20% of the distribution proceeds over and above its pro-rata share of the equity after investors receive an 8% internal rate of return and 30% after investors receive a 15% internal rate of return.

Leasing Highlights:

In Q1 2024, H&R completed a 5-year lease renewal on a 98,495 square foot industrial property in Whitby, ON, at H&R's 50% ownership interest. The original lease was set to expire in October 2024 and annual rent will increase by $2.93 per square foot commencing in November 2024 with annual contractual rent escalations.

In Q1 2024, H&R completed a new 10-year lease for a 125,220 square foot industrial property in Kitchener, ON, at H&R's 50% ownership interest. The previous tenant vacated in January 2024. The new tenant's lease commenced in March 2024 and annual contractual rent will increase by $7.30 per square foot with annual contractual rent escalations. The new tenant has a free rent period from March 2024 to August 2024.

Development Update

Canadian Properties under Development

In January 2024, development of two of the REIT's industrial properties, 1965 and 1925 Meadowvale Boulevard in Mississauga, ON were substantially complete and transferred from properties under development to investment properties. The properties are fully leased with annual contractual rental escalations, with both leases commencing in February 2024 and expiring in May 2036 and January 2037, respectively. The REIT recognized a fair value increase of $19.3 million on these properties between the start of construction and substantial completion.

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. In January 2024, H&R received approval from the City of Mississauga to replace the existing 104,689 square foot office building on the property with a new 122,413 square foot industrial building. The property was transferred from investment properties to properties under development during Q1 2024. Demolition of the existing office building was completed in April 2024. Construction has commenced and substantial completion is expected in December 2024. As at March 31, 2024, the total development budget for this property is approximately $43.6 million with costs remaining to complete the new building of approximately $22.5 million.

Refer to the *“Properties Under Development - Canadian Properties Under Development”* section of this MD&A for further information.

U.S. Properties under Development

The REIT commenced construction on two U.S. residential development properties in 2022. As at March 31, 2024, the total development budget for these two properties is approximately $283.2 million (U.S. $209.8 million) with costs remaining to complete of approximately $88.6 million (U.S. $65.6 million). Both properties are expected to be completed on budget in the latter half of 2024.

In January 2024, H&R exercised an option to acquire a 100% freehold interest in two residential land parcels in Orlando, FL (“Sunrise”). H&R previously had a leasehold interest in both land parcels and this acquisition resulted in the derecognition of the right-of-use assets and release from the corresponding lease liabilities. These land parcels are expected to be developed into 670 residential rental units and were acquired for approximately $25.1 million (U.S. $18.6 million). Sunrise is located within the heart of the I-4 Tourism Corridor in Orlando and is a seven-minute drive from Walt Disney World. In April 2024, the REIT contributed the first residential land parcel to a joint venture with the REDT as one of the Projects.

Refer to the *“Properties Under Development - U.S. Properties Under Development”* section of this MD&A for further information.

Future Intensification

In January 2024, the Toronto East York Community Council approved H&R’s official plan and zoning by-law amendment application at 69 Yonge Street to convert the existing heritage building from office use to 127 residential units. The approval facilitates adaptive reuse of the existing 15-storey building, while adding density through infilling the southeast corner of the building and adding 5 residential floors to the overall height. H&R is addressing the conditions outlined by the Toronto East York Community Council and anticipates that the zoning by-law amendment will come into effect by Q3 2024.

Debt & Liquidity Highlights

Debentures

In January 2024, H&R redeemed all of its $350.0 million Series N Senior Debentures, which bore interest at 3.369% per annum.

In February 2024, H&R completed a private placement of $250.0 million Series T Senior Debentures, bearing interest at 5.457% and maturing February 28, 2029.

Unsecured Term Loans

In March 2024, H&R secured a two-year extension on a $250.0 million unsecured term loan which will now mature March 7, 2027.

Subsequent to March 31, 2024, H&R secured a one-year extension on a $125.0 million unsecured term loan which will now mature November 30, 2026.

Lines of Credit

In March 2024, H&R secured a two-year extension on its $150.0 million revolving unsecured line of credit which will now mature on September 20, 2026.

As at March 31, 2024, debt to total assets per the REIT’s Financial Statements was 34.7% compared to 34.2% as at December 31, 2023. As at March 31, 2024, debt to total assets at the REIT’s proportionate share (a non-GAAP ratio, refer to the “Non-GAAP Measures” section of this MD&A) was 44.5%, compared to 44.0% as at December 31, 2023.

As at March 31, 2024, H&R had cash and cash equivalents of $74.6 million, $730.7 million available under its unused lines of credit and an unencumbered property pool of approximately $4.3 billion.

PORTFOLIO SUMMARY

(in thousands of Canadian dollars, except for statistics) (All periods exclude the Bow and 100 Wynford)	Q1 2024	Q4 2023	Q1 2023
Residential:[1]			
Number of properties	**24**	24	24
Square feet (in thousands)	**7,499**	7,499	7,498
Residential rental units	**8,166**	8,166	8,164
Occupancy	**94.4%**	94.3%	94.8%
Contractual mortgages payable	**$1,756,448**	$1,698,031	$1,820,418
Investment properties including assets classified as held for sale	**$3,723,558**	$3,668,856	$3,844,893
Capitalization rate	**4.47%**	4.47%	4.31%
Rentals from investment properties	**$70,984**	$71,752	$70,689
Net operating income	**$15,411**	$50,483	$14,182
Same-Property net operating income (cash basis)[2]	**$42,340**	$41,451	$41,026
Industrial:[1]			
Number of properties	**68**	70	73
Square feet (in thousands)	**8,673**	8,554	8,743
Occupancy	**99.4%**	99.2%	98.9%
Average remaining term to maturity of commercial leases (in years)	**5.5**	4.6	5.3
Contractual mortgages payable	**$255,589**	$258,015	$258,957
Investment properties including assets classified as held for sale	**$1,577,665**	$1,473,037	$1,486,874
Capitalization rate[3]	**5.30%**	5.30%	5.20%
Rentals from investment properties	**$25,244**	$24,508	$23,702
Net operating income	**$19,214**	$19,005	$17,780
Same-Property net operating income (cash basis)[2]	**$17,386**	$17,833	$16,535
Office:[1]			
Number of properties	**20**	21	24
Square feet (in thousands)	**5,506**	5,611	6,757
Occupancy	**94.8%**	95.9%	98.6%
Average remaining term to maturity of commercial leases (in years)	**6.6**	6.8	7.2
Contractual mortgages payable	**$228,273**	$230,683	$246,640
Investment Properties including assets classified as held for sale	**$2,464,191**	$2,463,487	$3,021,536
Capitalization rate[3]	**7.45%**	6.87%	6.32%
Rentals from investment properties	**$74,131**	$71,533	$86,004
Net operating income	**$38,053**	$50,935	$44,394
Same-Property net operating income (cash basis)[2]	**$43,884**	$45,049	$45,560
Retail:[1]			
Number of properties	**270**	272	278
Square feet (in thousands)	**5,183**	5,203	5,708
Occupancy	**96.2%**	96.2%	95.1%
Average remaining term to maturity of commercial leases (in years)	**8.2**	8.3	8.5
Contractual mortgages payable	**$110,887**	$111,145	$123,901
Investment properties including assets classified as held for sale[4]	**$1,573,974**	$1,561,406	$1,697,337
Capitalization rate	**6.50%**	6.49%	6.40%
Rentals from investment properties	**$35,723**	$35,369	$35,689
Net operating income	**$19,197**	$27,683	$18,092
Same-Property net operating income (cash basis)[2]	**$24,691**	$24,466	$23,367
Total:[1]			
Number of properties	**382**	387	399
Square feet (in thousands)	**26,861**	26,867	28,706
Occupancy	**96.4%**	96.5%	97.0%
Average remaining term to maturity of commercial leases (in years)	**6.8**	6.8	7.2
Contractual mortgages payable	**$2,351,197**	$2,297,874	$2,449,916
Investment properties including assets classified as held for sale[4]	**$9,339,388**	$9,166,786	$10,050,640
Capitalization rate[3]	**5.61%**	5.59%	5.40%
Rentals from investment properties	**$206,082**	$203,162	$216,084
Net operating income	**$91,875**	$148,106	$94,448
Same-Property net operating income (cash basis)[2]	**$128,301**	$128,799	$126,488

(1) All figures have been reported at the REIT's proportionate share, which is a non-GAAP measure defined in the *"Non-GAAP Measures"* section of this MD&A.
(2) Same-Property net operating income (cash basis) is a non-GAAP measure defined in the *"Non-GAAP Measures"* section of this MD&A.
(3) Industrial and office capitalization rates for Q1 2024 exclude one industrial property and seven office properties advancing through the rezoning and intensification process, which have been valued using the comparable sales approach, which is further described in the *"Valuation of Investment Properties"* section of this MD&A.
(4) Includes right-of-use assets in a leasehold interest for Q1 2024, Q4 2023 and Q1 2023 of $28.0 million, $31.3 million and $35.6 million, respectively (included within equity accounted investments), which was measured at an amount equal to the corresponding lease liabilities.

KEY PERFORMANCE DRIVERS

The following table is presented at the REIT's proportionate share by H&R's reportable operating segments and includes investment properties classified as assets held for sale.

OPERATIONS		Residential	Industrial	Office[3]	Retail	Total
Occupancy as at March 31	**2024**	**94.4%**	**99.4%**	**94.8%**	**96.2%**	**96.4%**
	2023	94.8%	98.9%	98.6%	95.1%	97.0%
Occupancy – Same-Property as at March 31[1]	**2024**	**94.4%**	**99.4%**	**94.8%**	**96.2%**	**96.3%**
	2023	94.8%	99.1%	98.7%	94.9%	97.0%
Average annual contractual rent per sq.ft. for the three months ended March 31-Canadian properties[2]	**2024**	**N/A**	**$8.57**	**$21.67**	**$13.00**	**$12.68**
	2023	N/A	$8.52	$21.61	$12.13	$13.30
Average annual contractual rent per sq.ft. for the three months ended March 31-U.S. properties (USD)[2]	**2024**	**$27.07**	**$3.41**	**$39.15**	**$19.26**	**$25.60**
	2023	$26.82	$4.16	$35.41	$19.31	$24.92
Average remaining term to maturity of leases as at March 31 (in years)	**2024**	**N/A**	**5.5**	**6.6**	**8.2**	**6.8**
	2023	N/A	5.3	7.2	8.5	7.2
Average remaining term to maturity of mortgages payable as at March 31 (in years)	**2024**	**4.3**	**2.7**	**1.9**	**6.7**	**4.0**
	2023	5.2	3.6	5.0	7.6	5.1

(1) Same-Property refers to those properties owned by H&R for the 15-month period ended March 31, 2024.
(2) Excludes properties sold in their respective year.
(3) The Bow and 100 Wynford have been excluded from the above statistics as they were legally sold in October 2021 and August 2022, respectively. Refer to the *"Other Liabilities - Deferred Revenue"* section of this MD&A for further information on the accounting treatment of these two dispositions.

The following table is presented at the REIT's proportionate share for H&R's residential properties.

	Three months ended March 31, 2024				Three months ended March 31, 2023			
Region	Number of Properties	Number of Units	Weighted Average Monthly Rent Per Unit (USD)	Occupancy	Number of Properties	Number of Units	Weighted Average Monthly Rent Per Unit (USD)	Occupancy
Texas	8	2,464	$1,424	93.1%	8	2,464	$1,469	94.4%
North Carolina	5	1,634	1,598	94.1%	5	1,632	1,617	95.0%
Florida[1]	7	2,433	1,859	94.1%	7	2,433	1,862	95.4%
Gateway Cities[1]	4	1,635	3,744	97.2%	4	1,635	3,653	94.1%
Total	**24**	**8,166**	**$2,066**	**94.4%**	**24**	**8,164**	**$2,051**	**94.8%**

Annual rent as a percentage of median household income for households living in market rate Class A apartments in the United States is 22.6%[2]. Annual rent as a percentage of median household income in the REIT's residential properties (excluding Jackson Park) is approximately 19.0%.

(1) River Landing; Miami, FL has been included in Gateway Cities.
(2) Source: RealPage, Market Analytics.

PORTFOLIO OVERVIEW

The geographic diversification of the portfolio of investment properties in which the REIT has an interest and the related square footage is disclosed at the REIT's proportionate share as at March 31, 2024 in the tables below:

Number of Properties[(1)(2)]	**Canada**					
	Ontario	**Alberta**	**Other**	**Subtotal**	**United States**	**Total**
Residential[(3)]	—	—	—	—	24	24
Industrial	38	16	12	66	2	68
Office	12	1	4	17	3	20
Retail	30	1	3	34	236	270
Total	80	18	19	117	265	382

Square Feet (in thousands)[(1)(2)]	**Canada**					
	Ontario	**Alberta**	**Other**	**Subtotal**	**United States**	**Total**
Residential[(3)]	—	—	—	—	7,499	7,499
Industrial	5,302	1,923	912	8,137	536	8,673
Office	2,537	466	893	3,896	1,610	5,506
Retail	1,469	150	231	1,850	3,333	5,183
Total	9,308	2,539	2,036	13,883	12,978	26,861

(1) Excludes the Bow and 100 Wynford, as these properties were legally sold in October 2021 and August 2022, respectively.
(2) Excludes all properties held for development. Refer to the *"Properties Under Development"* section of this MD&A for further information on properties held for development.
(3) The residential properties contain 8,166 residential rental units.

LEASE MATURITY PROFILE

The following tables disclose H&R's leases expiring in Canada and the United States as at March 31, 2024 at the REIT's proportionate share, excluding the Residential segment where leases typically expire annually.

Canadian Portfolio:

	Industrial		Office		Retail		Total		
Lease Expiries	Sq.ft.	Rent per sq.ft. ($) on expiry	Sq.ft.	Rent per sq.ft. ($) on expiry	Sq.ft.	Rent per sq.ft. ($) on expiry	Sq.ft.	% of Canadian sq. ft.	Rent per sq.ft. ($) on expiry
2024[1]	585,186	13.12	182,501	15.42	63,373	15.49	831,060	6.0%	13.81
2025	509,793	7.08	400,219	20.27	82,266	13.69	992,278	7.1%	12.95
2026	407,347	7.99	915,089	15.67	104,759	13.23	1,427,195	10.3%	13.30
2027	2,947,172	7.20	341,058	22.37	126,807	10.67	3,415,037	24.6%	8.84
2028	583,161	11.60	93,295	23.45	174,098	7.43	850,554	6.1%	12.05
	5,032,659	8.45	1,932,162	18.16	551,303	11.14	7,516,124	54.1%	11.14

U.S. Portfolio:

	Industrial		Office		Retail		Total		
Lease Expiries	Sq.ft.	Rent per sq.ft. ($) on expiry[2]	Sq.ft.	Rent per sq.ft. ($) on expiry[2]	Sq.ft.	Rent per sq.ft. ($) on expiry[2]	Sq.ft.	% of U.S. sq. ft.	Rent per sq.ft. ($) on expiry[2]
2024[1]	123,090	3.75	—	—	117,747	13.49	240,837	4.4%	8.51
2025	—	—	—	—	174,662	21.53	174,662	3.2%	21.53
2026	—	—	284,062	36.01	160,107	19.99	444,169	8.1%	30.24
2027	—	—	—	—	347,890	15.24	347,890	6.3%	15.24
2028	—	—	2,912	21.00	346,704	17.53	349,616	6.4%	17.56
	123,090	3.75	286,974	35.86	1,147,110	17.37	1,557,174	28.4%	19.70

(1) For the balance of the year.
(2) U.S. dollars.

TOP TWENTY SOURCES OF REVENUE BY TENANT

The following table discloses H&R's top twenty tenants, based on rentals from investment properties, as at March 31, 2024 at the REIT's proportionate share:

	Tenant	% of Rentals from Investment Properties[1]	Number of Locations	H&R owned sq.ft. (in 000's)	Average Lease Term to Maturity (in years)[2]	Credit Ratings (S&P)
1.	Hess Corporation	8.5%	1	845	8.9	BBB- Watch Positive
2.	New York City Department of Health	6.7%	1	660	6.7	A+ Stable
3.	Giant Eagle, Inc.	5.3%	195	1,636	9.0	Not Rated
4.	TC Energy Corporation	3.1%	1	466	7.1	BBB+ Negative
5.	Corus Entertainment Inc.	3.0%	1	472	9.0	B+ Stable
6.	Canadian Tire Corporation[3]	2.4%	3	2,110	2.8	BBB Stable
7.	Ovintiv Inc.[4]	1.9%	—	—	14.1	BBB- Stable
8.	Toronto-Dominion Bank	1.6%	3	270	3.6	AA- Stable
9.	Lowe's Companies, Inc.	1.3%	7	650	9.8	BBB+ Stable
10.	Royal Bank of Canada	1.1%	2	194	1.7	AA- Stable
11.	Bell Canada	1.1%	2	438	2.7	BBB+ Negative
12.	Telus Communications	1.0%	1	218	2.1	BBB Stable
13.	Sobeys Inc.	0.9%	9	331	7.0	BBB- Stable
14.	Metro Inc.	0.9%	11	369	5.0	BBB Stable
15.	Finning International Inc.	0.9%	8	320	6.5	BBB+ Stable
16.	Purolator Inc.	0.7%	12	535	6.1	Not Rated
17.	Miami-Dade County[5]	0.7%	1	93	13.6	AA Stable
18.	Deutsche Post AG	0.6%	1	343	6.8	Not Rated
19.	Government of Ontario[6]	0.6%	3	114	6.8	A+ Positive
20.	Canadian Imperial Bank of Commerce	0.6%	2	148	1.0	A+ Stable
	Total	**42.9%**	**264**	**10,212**	**7.7**	

(1) The percentage of rentals from investment properties is based on estimated annualized gross revenue excluding straight-lining of contractual rent, rent amortization of tenant inducements and capital expenditure recoveries.
(2) Average lease term to maturity is weighted based on net rent.
(3) Canadian Tire Corporation includes Canadian Tire and Mark's.
(4) Ovintiv Inc. includes 15% of the net rent payable under the Ovintiv lease (as defined in the *"Other Liabilities - Deferred Revenue"* section of this MD&A).
(5) Miami-Dade County includes The Public Health Trust and Offices for State Attorney.
(6) Government of Ontario includes the Financial Services Regulatory Authority of Ontario and the Liquor Control Board of Ontario.

FINANCIAL HIGHLIGHTS

	March 31 2024	December 31 2023	December 31 2022
Total assets (in thousands)	**$10,874,352**	$10,777,643	$11,412,603
Debt to total assets per the REIT's Financial Statements(1)	**34.7%**	34.2%	34.4%
Debt to total assets at the REIT's proportionate share(1)(2)	**44.5%**	44.0%	44.0%
Debt to Adjusted EBITDA at the REIT's proportionate share(1)(2)(3)	**8.8**	8.5	9.6
Unitholders' equity (in thousands)	**$5,283,580**	$5,192,375	$5,487,287
Units outstanding (in thousands)	**261,880**	261,868	265,885
Exchangeable units outstanding (in thousands)	**17,974**	17,974	17,974
Unitholders' equity per Unit	**$20.18**	$19.83	$20.64
NAV per Unit(2)(4)	**$21.05**	$20.75	$21.80

	Three months ended March 31	
(in thousands except for per Unit amounts)	**2024**	2023
Rentals from investment properties	**$209,521**	$218,295
Net operating income	**$94,187**	$97,300
Same-Property net operating income (cash basis)(5)	**$128,301**	$126,488
Net income from equity accounted investments	**$12,550**	$9,896
Fair value adjustment on real estate assets	**($44,167)**	$84,991
Net income	**$31,792**	$94,802
Funds from Operations ("FFO")(5)	**$83,066**	$87,892
AFFO(5)	**$68,787**	$73,672
Weighted average number of Units and exchangeable units	**279,847**	283,892
FFO per basic and diluted Unit(2)	**$0.297**	$0.310
AFFO per basic and diluted Unit(2)	**$0.246**	$0.260
Cash Distributions per Unit	**$0.150**	$0.150
Payout ratio as a % of FFO(2)	**50.5%**	48.4%
Payout ratio as a % of AFFO(2)	**61.0%**	57.7%

(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 of this MD&A.
(3) Adjusted EBITDA is based on the trailing 12 months and is defined in the "*Debt"* section of this MD&A.
(4) Refer to the *"Unitholders' Equity"* section of this MD&A for a detailed calculation of NAV per Unit.
(5) These are non-GAAP measures. Refer to the *"Non-GAAP Measures"* section of this MD&A.

SECTION III

FINANCIAL POSITION

The following foreign exchange rates have been used in the statement of financial position when converting U.S. dollars to Canadian dollars except where otherwise noted:

	March 31 2024	December 31 2023
For each U.S. $1.00	**$1.35 CAD**	$1.32 CAD

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, 2024			December 31, 2023		
(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	**$7,844,939**	**$2,192,927**	**$10,037,866**	$7,811,543	$2,148,012	$9,959,555
Properties under development	**1,145,306**	**144,601**	**1,289,907**	1,074,819	135,635	1,210,454
	8,990,245	**2,337,528**	**11,327,773**	8,886,362	2,283,647	11,170,009
Equity accounted investments	**1,194,266**	**(1,194,266)**	**—**	1,165,012	(1,165,012)	—
Assets classified as held for sale	**383,885**	**—**	**383,885**	293,150	—	293,150
Other assets	**231,373**	**21,629**	**253,002**	369,008	21,866	390,874
Cash and cash equivalents	**74,583**	**32,727**	**107,310**	64,111	36,933	101,044
	$10,874,352	**$1,197,618**	**$12,071,970**	$10,777,643	$1,177,434	$11,955,077
Liabilities and Unitholders' Equity						
Liabilities						
Debt	**$3,773,411**	**$1,121,215**	**$4,894,626**	$3,686,833	$1,097,839	$4,784,672
Exchangeable units	**166,261**	**—**	**166,261**	177,944	—	177,944
Deferred Revenue	**937,639**	**—**	**937,639**	947,671	—	947,671
Deferred tax liability	**439,764**	**—**	**439,764**	437,214	—	437,214
Accounts payable and accrued liabilities	**273,697**	**56,402**	**330,099**	335,606	60,176	395,782
Non-controlling interest	**—**	**20,001**	**20,001**	—	19,419	19,419
	5,590,772	**1,197,618**	**6,788,390**	5,585,268	1,177,434	6,762,702
Unitholders' equity	**5,283,580**	**—**	**5,283,580**	5,192,375	—	5,192,375
	$10,874,352	**$1,197,618**	**$12,071,970**	$10,777,643	$1,177,434	$11,955,077

[1] The REIT's proportionate share is a non-GAAP measure defined in the *"Non-GAAP Measures"* section of this MD&A.

INVESTMENT PROPERTIES

2024 Acquisitions

H&R did not acquire any investment properties during the three months ended March 31, 2024.

2023 Acquisitions

H&R did not acquire any investment properties during the year ended December 31, 2023.

2024 Dispositions

Property	Segment	Date Sold	Square Feet	Selling Price ($ Millions)	Ownership Interest Sold
1604 & 1720 Willow St., Campbell River, BC[1]	Industrial	Mar 4, 2024	15,000	$2.1	50%
10645 & 10625 State Bridge Rd., Alpharetta, GA[2]	Retail	Mar 7, 2024	12,240	4.9	100%
1739 & 1741 Buford Hwy., Cumming, GA[2]	Retail	Mar 7, 2024	11,590	5.4	100%
1764 & 1776 Kelly Douglas Rd., Kamloops, BC[1]	Industrial	Mar 12, 2024	32,136	5.1	50%
450 Mackenzie Ave. & 265 Fifth Ave. S., Williams Lake, BC[1]	Industrial	Mar 27, 2024	13,661	1.5	50%
1600 Boul. Lionel Boulet Blvd., Varennes, QC[1]	Industrial	Mar 28, 2024	155,552	8.5	50%
Total			240,179	$27.5	

(1) Square feet and selling price are based on the ownership interest sold, and H&R no longer holds any ownership interest in these assets.
(2) U.S. dispositions have been translated to Canadian dollars using the exchange rate on the day the property was sold.

2023 Dispositions

Property	Segment	Date Sold	Square Feet	Selling Price ($ Millions)	Ownership Interest Sold
2611-3rd Ave. S.E., Calgary, AB[1][2]	Office	Jan 23 2023	47,613	$16.8	50%
749 Douglas Fir Rd., Sparwood, BC[1][2]	Industrial	Jan 27 2023	15,892	2.2	50%
160 Elgin St., Ottawa, ON[1]	Office	Apr 20 2023	973,661	277.0	100%
9331-48th St., Edmonton, AB[2]	Industrial	May 24 2023	14,916	0.6	50%
225 Joseph Casavant Ave., Beauport, QC	Retail	Jul 6 2023	124,182	17.2	100%
1 Boul. Bouthillier, Rosemere, QC	Retail	Jul 6 2023	124,851	16.9	100%
7277 St. Jacques St., Montreal, QC	Retail	Jul 6 2023	110,004	17.5	100%
5035 Boul. Cousineau, Saint-Hubert, QC	Retail	Jul 6 2023	117,765	16.4	100%
5901 E. Fowler Ave., Temple Terrace, FL[3]	Office	Aug 1 2023	85,725	17.7	100%
4845 & 4865 Alabama Rd., Roswell, GA[3]	Retail	Aug 2 2023	13,510	4.7	100%
7575 Brewster Ave., Philadelphia, PA[3]	Industrial	Oct 3 2023	163,936	37.7	100%
9330 Amberton Pkwy., Dallas, TX[3]	Office	Oct 12 2023	92,694	7.0	100%
10755 Finning Front, Fort St. John, BC[2]	Industrial	Nov 20 2023	10,630	1.2	50%
Total			1,895,379	$432.9	

(1) Classified as held for sale as at December 31, 2022.
(2) Square feet and selling price are based on the ownership interest sold, and H&R no longer holds any ownership interest in these assets.
(3) U.S. dispositions have been translated to Canadian dollars using the exchange rate on the day the property was sold.

Investment Properties and Properties under Development by Segment and Region

The following tables disclose the fair values of the investment properties and properties under development by operating segment and geographic location, excluding assets held for sale for the periods indicated:

March 31, 2024								
	REIT's Financial Statements		Equity Accounted Investments					
Operating Segment (in thousands of Canadian dollars)	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development	REIT's Proportionate Share[1]	The Bow and 100 Wynford	Total	%
Residential	$2,426,189	$829,241	$1,297,369	$90,906	$4,643,705	$—	$4,643,705	45.3%
Industrial	1,487,646	316,065	21,134	19,413	1,844,258	—	1,844,258	18.0%
Office	3,231,554	—	—	—	3,231,554	(1,074,863)	2,156,691	21.0%
Retail	699,550	—	874,424	34,282	1,608,256	—	1,608,256	15.7%
Total	$7,844,939	$1,145,306	$2,192,927	$144,601	$11,327,773	($1,074,863)	$10,252,910	100.0%

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

March 31, 2024								
	REIT's Financial Statements		Equity Accounted Investments					
Geographic Location (in thousands of Canadian dollars)	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development	REIT's Proportionate Share[1]	The Bow and 100 Wynford	Total	%
Ontario	$2,242,720	$316,065	$—	$19,413	$2,578,198	($107,075)	$2,471,123	24.1%
Alberta	1,381,220	—	—	—	1,381,220	(967,788)	413,432	4.0%
Other	345,180	—	—	—	345,180	—	345,180	3.4%
Canada	3,969,120	316,065	—	19,413	4,304,598	(1,074,863)	3,229,735	31.5%
United States	3,875,819	829,241	2,192,927	125,188	7,023,175	—	7,023,175	68.5%
Total	$7,844,939	$1,145,306	$2,192,927	$144,601	$11,327,773	($1,074,863)	$10,252,910	100.0%

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

December 31, 2023								
	REIT's Financial Statements		Equity Accounted Investments					
Operating Segment (in thousands of Canadian dollars)	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development	REIT's Proportionate Share[1]	The Bow and 100 Wynford	Total	%
Residential	$2,399,491	$652,859	$1,269,365	$87,255	$4,408,970	$—	$4,408,970	43.7%
Industrial	1,391,722	410,930	20,665	19,168	1,842,485	—	1,842,485	18.3%
Office	3,316,906	11,030	—	—	3,327,936	(1,085,919)	2,242,017	22.2%
Retail	703,424	—	857,982	29,212	1,590,618	—	1,590,618	15.8%
Total	$7,811,543	$1,074,819	$2,148,012	$135,635	$11,170,009	($1,085,919)	$10,084,090	100.0%

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

December 31, 2023								
	REIT's Financial Statements		Equity Accounted Investments					
Geographic Location (in thousands of Canadian dollars)	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development	REIT's Proportionate Share[1]	The Bow and 100 Wynford	Total	%
Ontario	$2,150,385	$410,930	$—	$19,168	$2,580,483	($108,968)	$2,471,515	24.5%
Alberta	1,390,283	—	—	—	1,390,283	(976,951)	413,332	4.1%
Other	429,680	11,030	—	—	440,710	—	440,710	4.4%
Canada	3,970,348	421,960	—	19,168	4,411,476	(1,085,919)	3,325,557	33.0%
United States	3,841,195	652,859	2,148,012	116,467	6,758,533	—	6,758,533	67.0%
Total	$7,811,543	$1,074,819	$2,148,012	$135,635	$11,170,009	($1,085,919)	$10,084,090	100.0%

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

VALUATION OF INVESTMENT PROPERTIES

The estimated fair values of the REIT's real estate assets are based on the following methods and significant assumptions:

(i) Discounted cash flow analyses which are based upon, among other things, future cash inflows in respect of rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting period, less future cash outflows in respect of such leases and capital expenditures for the property utilizing appropriate discount rates and terminal capitalization rates, generally over a minimum term of 10 years;

(ii) The direct capitalization method which calculates fair value by applying a capitalization rate to future cash flows based on stabilized net operating income; and

(iii) The comparable sales approach, which estimates fair value based on the market value per unit of measure which is established by recent sales activity in the same or similar markets.

During the three months ended March 31, 2024, certain properties were valued by professional external independent appraisers. When an external independent appraisal is obtained, the REIT's internal valuation team assesses the significant assumptions used in the appraisal and holds discussions with the external independent appraiser on the reasonableness of their assumptions. External independent appraisals received throughout the period per the REIT's Financial Statements represent 13.4% of the fair value of investment properties as at March 31, 2024 (year ended December 31, 2023 - 16.5%). External independent appraisals received throughout the period per the REIT's proportionate share (a non-GAAP measure, refer to the *"Non-GAAP Measures"* section of this MD&A) and excluding The Bow and 100 Wynford represent 11.7% of the fair value of investment properties as at March 31, 2024 (year ended December 31, 2023 - 27.4%).

The REIT utilizes external industry sources to determine a range of capitalization, discount and terminal capitalization rates. To the extent that the ranges of these externally provided rates change from one reporting period to the next, the fair value of the investment properties is adjusted accordingly.

The weighted average capitalization rates disclosed below are reported by segment and geographic location at the REIT's proportionate share (a non-GAAP measure, refer to the *"Non-GAAP Measures"* section of this MD&A), including assets classified as held for sale, which differs from the REIT's Financial Statements. The Bow and 100 Wynford have been excluded from the Canada Office and Total capitalization rates for both periods below as these properties were legally sold in October 2021 and August 2022, respectively. In addition, the Canadian Industrial and Office capitalization rates as at March 31, 2024 exclude one industrial property and seven office properties advancing through the rezoning and intensification process, which have been valued in accordance with method (iii) above.

March 31, 2024	**Residential**	**Industrial**	**Office**	**Retail**	**Total**
Canada	**—**	**5.24%**	**7.08%**	**6.34%**	**5.93%**
United States	**4.47%**	**8.44%**	**7.68%**	**6.55%**	**5.49%**
Total	**4.47%**	**5.30%**	**7.45%**	**6.50%**	**5.61%**

As at March 31, 2024, the weighted average capitalization rate for residential properties in the U.S. sun belt states was 5.00%, resulting in an overall weighted average capitalization rate of 4.47% for the residential portfolio.

December 31, 2023	Residential	Industrial	Office	Retail	Total
Canada	—	5.24%	6.22%	6.33%	5.79%
United States	4.47%	8.49%	7.68%	6.54%	5.48%
Total	4.47%	5.30%	6.87%	6.49%	5.59%

As at December 31, 2023, the weighted average capitalization rate for the properties in the U.S. sun belt states increased to 5.00%, resulting in an overall weighted average capitalization rate of 4.47% for the residential portfolio.

As at December 31, 2023, the weighted average Canadian office capitalization rate was 6.22%, which was comprised of a 4.96% capitalization rate for 8 Canadian properties designated for future intensification and a 7.26% capitalization rate for 10 Canadian properties expected to be sold as part of H&R's plan to sell office properties.

INTENSIFICATION OPPORTUNITIES

As at March 31, 2024, H&R is advancing the following properties through the process of rezoning into their highest and best use (figures below are shown at H&R's ownership interest).

Property[(1)(2)]	**Geography**	**Ownership**	**Future Use**	**Current Square Feet**	**Anticipated Residential Units**	**Anticipated Square Feet**	**Approval Status**[(3)]	**Municipal Approval Date**
145 Wellington St. W.	Toronto, ON	100%	Residential	160,098	512	555,687	ZBA Approved & SPA Submitted	August 2022
53 & 55 Yonge St.	Toronto, ON	100%	Residential	171,758	511	552,925	ZBA Approved (with conditions) & SPA Submitted	February 2023
310 Front St. W.	Toronto, ON	100%	Residential	122,486	578	541,784	ZBA Approved & SPA Submitted	August 2023
69 Yonge St.	Toronto, ON	100%	Residential	88,006	127	135,000	ZBA Approved (with conditions) & SPA Submitted	January 2024
200 Bouchard Blvd.	Dorval, QC	100%	Residential	437,157	850	990,000	Submission Pending	2024
3777 & 3791 Kingsway[(4)]	Burnaby, BC	50%	Residential	335,778	1,250	1,230,000	SPoD Submitted	2024
77 Union St.	Toronto, ON	100%	Residential	195,000	1,400	1,100,000	ZBA & SPA Submitted	2025
				1,510,283	5,228	5,105,396		

(1) The list of properties advancing through the rezoning process include seven investment properties and one property under development from H&R's Office segment as well as 77 Union St. which is included in H&R's Industrial segment.

(2) Excludes 100 Wynford which was sold in August 2022, however the REIT will continue to advance the rezoning process for redevelopment as it has an option to repurchase 100% of the property for approximately $159.7 million in 2036 or earlier under certain circumstances.

(3) Zoning By-Law Amendment is referred to as "ZBA", Site Plan Control Application is referred to as "SPA" and Suitable Plan of Development is referred to as "SPoD" in the table above.

(4) 3777 & 3791 Kingsway figures for current square feet, anticipated residential units and anticipated commercial square feet have been shown at H&R's ownership interest. These properties were classified as held for sale as at March 31, 2024.

In January 2024, the Toronto East York Community Council approved H&R's official plan and zoning by-law amendment application at 69 Yonge Street to convert the existing heritage building from office use to 127 residential units. The approval facilitates adaptive reuse of the existing 15-storey building, while adding density through infilling the southeast corner of the building and adding 5 residential floors to the overall height. H&R is addressing the conditions outlined by the Toronto East York Community Council and anticipates that the zoning by-law amendment will come into effect by Q3 2024.

PROPERTIES UNDER DEVELOPMENT

Canadian Properties Under Development

In January 2024, development of two of the REIT's industrial properties, 1965 and 1925 Meadowvale Boulevard in Mississauga, ON were substantially complete and transferred from properties under development to investment properties. The properties are fully leased with annual contractual rental escalations, with both leases commencing in February 2024 and expiring in May 2036 and January 2037, respectively. The REIT recognized a fair value increase of $19.3 million on these properties between the start of construction and substantial completion.

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. In January 2024, H&R received approval from the City of Mississauga to replace the existing 104,689 square foot office building on the property with a new 122,413 square foot industrial building. The property was transferred from investment properties to properties under development during Q1 2024. Demolition of the existing office building was completed in April 2024.

The Canadian properties currently held for development per the REIT's Financial Statements, excluding assets held for sale are:

As at March 31, 2024			**At H&R's Ownership Interest**					
(in thousands of Canadian dollars)	**Ownership Interest**	**Square Feet**	**Number of Acres**	**Total Development Budget**	**Costs Incurred to Date[4]**	**Costs Remaining to Complete**	**Expected Yield on Budgeted Cost**	**Expected Completion Date**
Current Developments:[1]								
6900 Maritz Dr., Mississauga, ON[2]	100.0%	122,413	6.0	$43,597	$21,116	$22,481	5.3%	December 2024
Future Developments:[3]								
Industrial Lands (Remaining lands), Caledon, ON	100.0%		117.6	—	74,039	—		
		122,413	**123.6**	**$43,597**	**$95,155**	**$22,481**		

(1) Current Developments are projects under active construction or anticipated to commence active construction in the next three months whereby the REIT is committed to completing the development.

(2) As part of a lease amendment with its previous tenant which amended the lease expiry from May 2031 to December 2023, H&R received a lease termination fee of $3.4 million in 2023. If H&R applied this lease termination fee against the development budget, the expected yield on budgeted cost would be approximately 5.8%.

(3) Future Developments include sites advancing through zoning by-law applications, approvals, legal obligations, and clearing environmental encumbrances. These sites may be shovel ready but still require financial commitments and are not anticipated to commence active construction in the next three months.

(4) Excludes fair value adjustments to Canadian properties under development totalling $220.9 million as at March 31, 2024.

U.S. Properties Under Development

In February 2024, H&R acquired a 75.0% ownership interest in approximately 4.0 acres of land at 459 Smith St. in Brooklyn, NY, in the newly rezoned Gowanus neighbourhood for approximately $103.3 million (U.S. $76.5 million) and assumed a $24.3 million (U.S. $18.0 million) mortgage upon closing. This acquisition was funded from funds held in escrow from previous U.S. asset dispositions. Gowanus is surrounded by Brooklyn's most exclusive neighborhoods including Park Slope, Carroll Gardens, Cobble Hill and Boerum Hill. The recent approval of the Special Gowanus Mixed Use District is set to bring approximately 10,000 new apartment units connected by a canal-front promenade and new streets. The REIT's site is expected to allow for 1,039 residential rental units as well as 101,827 square feet for commercial and community space.

The REIT's U.S. properties under development per the REIT's Financial Statements, excluding assets held for sale, consists of the following: (i) two current residential developments; and (ii) 15 land parcels held for future residential development:

As at March 31, 2024				At H&R's Ownership Interest				
(in thousands of U.S. dollars)	Ownership Interest	Number of Acres	Number of Residential Rental Units	Total Development Budget	Costs Incurred to Date[(4)]	Costs Remaining to Complete	Expected Yield on Budgeted Cost	Expected Completion Date
Current Developments:[(1)]								
West Love, Dallas, TX	100.0%	5.4	413	$105,692	$80,825	$24,867	5.7%	Q3 2024
Midtown, Dallas, TX	100.0%	4.2	350	104,113	63,387	40,726	5.7%	Q4 2024
		9.6	**763**	**209,805**	**144,212**	**65,593**		
Future Developments:[(2)]								
The Cove, Jersey City, NJ	100.0%	12.4	2,840		178,833			
12 Remaining Future Developments[(3)]	100.0%	113.4	4,559		181,651			
459 Smith St., Brooklyn, NY	75.0%	3.0	779		92,314			
West Town, Orlando, FL	50.0%	13.5	271		14,195			
		142.3	**8,449**	**—**	**466,993**	**—**		
		151.9	**9,212**	**$209,805**	**$611,205**	**$65,593**		

(1) Current Developments are projects under active construction or anticipated to commence active construction in the next three months whereby the REIT is committed to completing the development.
(2) Future Developments include sites advancing through zoning by-law applications, approvals, legal obligations, and clearing environmental encumbrances. These sites may be shovel ready but still require financial commitments and are not anticipated to commence active construction in the next three months.
(3) Includes the Projects which were transferred to a joint venture with the REDT in April 2024.
(4) Excludes fair value adjustments to U.S. properties under development totalling U.S. $3.0 million as at March 31, 2024.

EQUITY ACCOUNTED INVESTMENTS

	------- Associates--------		Joint Ventures[(1)]	
(in thousands of Canadian dollars)	ECHO	Jackson Park		**Total[(2)]**
Investment properties	$874,424	$1,164,728	$153,775	**$2,192,927**
Properties under development	34,282	—	110,319	**144,601**
Other assets	17,157	1,531	2,941	**21,629**
Cash and cash equivalents	6,137	5,944	20,646	**32,727**
Debt	(348,388)	(669,458)	(103,369)	**(1,121,215)**
Accounts payable and accrued liabilities	(45,664)	(7,314)	(3,424)	**(56,402)**
Non-controlling interest	(20,001)	—	—	**(20,001)**
March 31, 2024	**$517,947**	**$495,431**	**$180,888**	**$1,194,266**
December 31, 2023	$504,418	$483,923	$176,671	$1,165,012

(1) Joint ventures include Slate Drive, one industrial property, Hercules Project, Shoreline, Central Pointe and Sunny Creek.
(2) Each of these line items represent the REIT's proportionate share of equity accounted investments, which are reconciled to the total equity accounted investments per the REIT's Financial Statements. This is a non-GAAP measure defined in the *"Non-GAAP Measures"* section of this MD&A.

Jackson Park

H&R owns a 50% interest in Jackson Park, a 1,871 luxury residential rental unit development in Long Island City, NY.

ECHO

H&R owns a 33.2% interest in Echo Realty LP ("ECHO"), a privately held real estate and development company that focuses on developing and owning a core portfolio of grocery anchored shopping centres, primarily in Pennsylvania and Ohio. ECHO reports its financial results to H&R one month in arrears. ECHO's financial information has been disclosed as at February 29, 2024 and November 30, 2023, respectively.

As at February 29, 2024, H&R's interest in ECHO consisted of 233 investment properties totalling approximately 2.8 million square feet and 13 properties under development. Giant Eagle, Inc., a supermarket chain in the United States, is ECHO's largest tenant with

195 locations totalling approximately 1.6 million square feet at H&R's ownership interest with an average lease term to maturity of 9.0 years. Giant Eagle represents approximately 54.9% of revenue earned by ECHO.

During the three months ended February 29, 2024, ECHO did not acquire, transfer or sell any properties.

Slate Drive

In November 2020, H&R acquired a 50% ownership interest in 24.6 acres of land in Mississauga, ON, which is expected to be developed into two industrial buildings totalling 249,260 square feet at H&R's ownership interest. Construction is expected to commence on both buildings later this year.

One industrial property

H&R owns a 50.5% interest in 170 Butts St., South Hill, VA through a joint venture with its partners.

Hercules Project

H&R has a 31.7% non-managing ownership interest in 24.1 acres of land located in Hercules, CA, adjacent to San Pablo Bay, northeast of San Francisco, for the future development of residential rental units. This waterfront, multi-phase, master-planned, in-fill mixed use development surrounds a future intermodal transit centre, including train and ferry service, and is adjacent to an 11-acre future waterfront regional park. The initial investment to purchase the land was approximately $13.1 million (U.S. $10.0 million), at H&R's ownership interest. As at March 31, 2024, H&R's equity investment was approximately $23.5 million (U.S. $17.4 million).

Phase 2 of the Hercules Project, known as "The Grand at Bayfront", consists of 232 residential rental units including a state-of-the-art fitness centre, bike shop, residents lounge and sporting club. It is situated on 3.0 acres of land and is located north/northeast of Phase 1 of the Hercules Project, which was disposed of by H&R in September 2021. Construction commenced in March 2019 and substantial completion was achieved in June 2022, resulting in the REIT transferring this property from properties under development to investment properties within equity accounted investments.

The remaining land parcels totalling 21.1 acres are secured against a $5.0 million (U.S. $3.7 million) land loan at H&R's ownership interest. Future phases will be announced as further development information becomes available.

Shoreline

H&R has a 31.2% non-managing ownership interest in Shoreline, a residential property site, which consists of a 315 luxury residential rental unit tower with 6,643 square feet of retail space. Located in Long Beach, CA, Shoreline is the tallest residential tower in Long Beach with 35 floors enjoying views overlooking the Pacific Ocean. Construction commenced in November 2018 and substantial completion was achieved in June 2022, resulting in the REIT transferring this property from properties under development to investment properties within equity accounted investments.

Central Pointe

H&R has a non-managing 50% ownership interest in 8.4 acres of land in Santa Ana, CA. The site is expected to consist of two buildings totalling 325 residential rental units and 319 residential rental units, respectively, as well as 15,131 square feet of retail space. The site is located within one block of the I-5 freeway and within several miles of Downtown Santa Ana, South Coast Metro, Irvine, Anaheim and Orange County.

Sunny Creek

H&R has a 33.3% non-managing ownership interest in 17.6 acres of land in Carlsbad, CA, a coastal city in northwest San Diego County, approximately four miles from Carlsbad State Beach and downtown Carlsbad. The site is close to major highways and business parks, including the headquarters for TaylorMade and Callaway. The site is expected to include an apartment project consisting of 227 residential rental units and a for sale townhome project comprising 130 units for sale.

Assets Classified as Held for Sale

March 31, 2024 Property	Segment	Sale Date/ Expected Sale Date	H&R Ownership Interest	Square Feet	Occupancy	Value ($ Thousands)
25 Dockside Dr., Toronto, ON	Office	Apr 15, 2024	100%	479,437	99.7%	$232,500
510 E. Courtland St., Morton, IL(1)	Industrial	Q2 2024	100%	123,090	100.0%	8,235
3777 Kingsway, Burnaby, BC(2)	Office	May 2024	50%	335,778	65.8%	75,000
3791 Kingsway, Burnaby, BC(2)	Development	May 2024	50%	—	—	7,500
7900 Airport Rd., Brampton, ON(2)	Industrial	Q4 2024	50%	372,207	100.0%	60,650
Total				1,310,512		$383,885

(1) U.S. assets classified as held for sale have been translated to Canadian dollars using the exchange rate as of March 31, 2024.
(2) Square feet and fair value are based on the ownership interest sold, and H&R no longer holding any ownership interest in these assets.

December 31, 2023 Property	Segment	Sale Date/ Expected Sale Date	H&R Ownership Interest	Square Feet	Occupancy	Value ($ Thousands)
25 Dockside Dr., Toronto, ON	Office	April 15, 2024	100%	479,437	100.0%	$232,500
7900 Airport Rd., Brampton, ON(1)	Industrial	Q4 2024	50%	372,207	100.0%	60,650
Total				851,644		$293,150

(1) Square feet and fair value are based on the ownership interest sold, and H&R no longer holding any ownership interest in these assets.

Other Assets

(in thousands of Canadian dollars)	**March 31, 2024**	December 31, 2023
Mortgages receivable	**$144,304**	$166,077
Prepaid expenses and sundry assets	**27,161**	70,482
Accounts receivable - net of provision for expected credit loss of $2,710 (2023 - $3,556)	**6,274**	5,905
Restricted cash	**17,737**	96,625
Derivative instruments	**35,897**	29,919
	$231,373	$369,008

Mortgages receivable decreased by approximately $21.8 million from approximately $166.1 million as at December 31, 2023 to approximately $144.3 million as at March 31, 2024, primarily due to repayments received during Q1 2024.

Prepaid expenses and sundry assets decreased by approximately $43.3 million from approximately $70.5 million as at December 31, 2023 to approximately $27.2 million as at March 31, 2024 primarily due to the release of deposits along with pre-acquisition costs relating to the acquisition of 459 Smith Street in Brooklyn, NY.

Restricted cash decreased by approximately $78.9 million from approximately $96.6 million as at December 31, 2023 to approximately $17.7 million as at March 31, 2024, primarily due to proceeds from the sale of U.S. properties held in escrow for property exchanges under Section 1031 of the U.S. Internal Revenue Code being released to acquire U.S. residential land parcels in Q1 2024.

Refer to the *"Derivative Instruments"* section of this MD&A for further information on H&R's derivative instruments.

DEBT

	March 31, 2024	December 31, 2023
Debt to total assets per the REIT's Financial Statements[1]	**34.7%**	34.2%
Debt to total assets at the REIT's proportionate share[1][2]	**44.5%**	44.0%
Unencumbered assets[3] (in thousands of Canadian dollars)	**$4,335,440**	$4,223,082
Unsecured debt[3] (in thousands of Canadian dollars)	**$2,008,049**	$1,953,440
Unencumbered asset to unsecured debt coverage ratio[3]	**2.16**	2.16
Debt to Adjusted EBITDA at the REIT's proportionate share[1][2][4]	**8.8**	8.5
Non-recourse mortgages to total mortgages ratio	**63.8%**	59.8%
Weighted average interest rate of debt[1]	**4.3%**	4.0%
Weighted average term to maturity of debt (in years)[1]	**2.8**	2.5
Weighted average interest rate of debt at the REIT's proportionate share[1][2]	**4.3%**	4.1%
Weighted average term to maturity of debt (in years) at the REIT's proportionate share[1][2]	**3.2**	3.0

(1) Debt includes mortgages payable, debentures payable, unsecured term loans and lines of credit.
(2) These are non-GAAP measures and/or non-GAAP ratios. Refer to the *"Non-GAAP Measures"* section of this MD&A.
(3) Unencumbered assets are investment properties and properties under development without encumbrances for mortgages or lines of credit. Unsecured debt includes debentures payable, unsecured term loans and unsecured lines of credit.
(4) Adjusted EBITDA is based on the trailing 12 months.

Debt Breakdown

H&R's debt consists of the following items:

	March 31, 2024			December 31, 2023		
(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]
Mortgages payable	**$1,495,889**	**$842,101**	**$2,337,990**	$1,459,163	$825,152	$2,284,315
Debentures payable	**1,197,049**	**—**	**1,197,049**	1,297,960	—	1,297,960
Unsecured term loans	**625,000**	**—**	**625,000**	625,000	—	625,000
Lines of credit	**455,473**	**279,114**	**734,587**	304,710	272,687	577,397
	$3,773,411	**$1,121,215**	**$4,894,626**	$3,686,833	$1,097,839	$4,784,672

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

Debentures payable per the REIT's Financial Statements decreased by approximately $100.9 million from approximately $1,298.0 million as at December 31, 2023 to approximately $1,197.0 million as at March 31, 2024, primarily due to the REIT redeeming all of its $350.0 million outstanding Series N Senior Debentures in January 2024, partially offset by the issuance of $250.0 million Series T Senior Debentures in February 2024.

Lines of credit per the REIT's Financial Statements increased by $150.8 million from approximately $304.7 million as at December 31, 2023 to approximately $455.5 million as at March 31, 2024, primarily due to H&R drawing on its unsecured lines of credit to repay the Series N Senior Debentures and then subsequently repaying a portion of its unsecured lines of credit with the proceeds from the issuance of the Series T Senior Debentures.

Refer to the *"Liquidity and Capital Resources"* section of this MD&A for further information on H&R's debt breakdown.

Debt by Operating Segment

The following table discloses H&R's debt by operating segment:

	March 31, 2024			December 31, 2023		
(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]
Residential	**$997,917**	**$772,827**	**$1,770,744**	$955,964	$755,429	$1,711,393
Industrial	**524,633**	**—**	**524,633**	531,782	—	531,782
Office	**227,857**	**—**	**227,857**	230,237	—	230,237
Retail	**14,955**	**348,388**	**363,343**	15,410	342,410	357,820
Corporate	**2,008,049**	**—**	**2,008,049**	1,953,440	—	1,953,440
	$3,773,411	**$1,121,215**	**$4,894,626**	$3,686,833	$1,097,839	$4,784,672

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

Debt to Adjusted EBITDA at the REIT's Proportionate Share

The following table provides a reconciliation of Debt to Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") at the REIT's proportionate share. This is a non-GAAP ratio. Refer to the *"Non-GAAP Measures"* section of this MD&A.

	March 31 2024	December 31 2023
Debt per the REIT's Financial Statements	**$3,773,411**	$3,686,833
Debt - REIT's proportionate share of equity accounted investments	1,121,215	1,097,839
Debt at the REIT's proportionate share	**4,894,626**	4,784,672
(Figures below are for the trailing 12 months)		
Net income (loss) per the REIT's Financial Statements	**(1,320)**	61,690
Net income from equity accounted investments (within equity accounted investments)	(310)	(426)
Finance costs - operations	265,763	266,795
Fair value adjustments on financial instruments and real estate assets	451,933	363,547
Loss on sale of real estate assets, net of related costs	6,418	9,420
Income tax recovery	(53,147)	(30,484)
Non-controlling interest	1,447	1,254
Adjustments:		
The Bow and 100 Wynford non-cash rental income adjustments	(93,124)	(92,920)
Straight-lining of contractual rent	(13,318)	(12,100)
IFRIC 21 - realty tax adjustment	(1,977)	—
Fair value adjustment to unit-based compensation	(6,952)	(5,134)
Adjusted EBITDA at the REIT's proportionate share	**$555,413**	$561,642
Debt to Adjusted EBITDA at the REIT's proportionate share	**8.8**	8.5

OTHER LIABILITIES

Exchangeable Units

As at March 31, 2024, certain of the REIT's subsidiaries had in aggregate 17,974,186 (December 31, 2023 - 17,974,186) exchangeable units outstanding which are puttable instruments where, upon redemption, the REIT has a contractual obligation to issue Units. Holders of all exchangeable units are entitled to receive the economic equivalence of distributions on a per unit amount equal to a per Unit amount provided to holders of Units. These puttable instruments are classified as a liability under IFRS and are measured at fair value through profit and loss. At the end of each reporting period, the fair value is determined by using the quoted price of Units on the TSX as the exchangeable units are exchangeable into Units at the option of the holder at any time. The quoted price as at March 31, 2024 was $9.25 (December 31, 2023 - $9.90) per Unit.

The following number of exchangeable units are issued and outstanding:	Number of Exchangeable Units	Quoted Price of Units	Amounts per the REIT's Financial Statements ($000's)
As at March 31, 2024	**17,974,186**	**$9.25**	**$166,261**
As at December 31, 2023	17,974,186	$9.90	$177,944

The REIT has entered into various exchange agreements that provide, among other things, the mechanics whereby exchangeable units may be exchanged for Units.

Deferred Revenue

(a) Bow deferred revenue

(i) Sale of the Bow property and 40% interest in the Ovintiv lease

In October 2021, the REIT sold its interest in the Bow including 40% of the future income stream derived from the Ovintiv lease ("Ovintiv lease") until the end of the lease term in May 2038 to an arm's length third party, Oak Street Real Estate Capital ("Oak Street"), for approximately $528.0 million. Subsequent to the maturity of the Ovintiv lease, Oak Street will receive all future lease revenue earned by the Bow. Although the REIT sold the Bow, the transaction did not meet the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of the Bow for approximately $737.0 million ($368 per sq. ft.) in 2038 or earlier under certain circumstances. This option is substantially below the aggregate sale proceeds of $946.0 million and it provides H&R the ability to capture potential upside in the Calgary office market over an extended time frame of approximately 14 years. As such, the REIT continues to recognize the income producing property whereby the fair value will be adjusted over the remaining life of the Ovintiv lease bringing the value of the real estate asset to nil by the lease maturity. The net proceeds received by the REIT on disposition were $496.1 million. These proceeds were recorded as deferred revenue (classified as a liability) and will be amortized over the remaining term of the Ovintiv lease (40% of the rental income remitted to Oak Street will consist of principal and interest).

(ii) Sale of 45% interest in the Ovintiv lease

In a separate transaction, in October 2021, the REIT sold 45% of its residual 60% interest in the future income stream derived from the Ovintiv lease to an arm's length third party that was financed by Deutsche Bank Credit Solutions and Direct Lending ("Deutsche Bank"). The REIT received a lump-sum cash payment of $418.0 million as consideration. The net proceeds received of $408.3 million were also recorded as deferred revenue (classified as a liability) and will be amortized over the remaining term of the Ovintiv lease as the 45% lease payments are made to Deutsche Bank and will consist of principal and interest.

As a result of the above transactions, H&R is legally only entitled to 15% of the lease revenue from the Ovintiv lease until the end of the lease term in May 2038.

(b) 100 Wynford deferred revenue

On August 31, 2022, the REIT sold its interest in 100 Wynford to an arm's length third party, Blue Owl Capital, formerly Oak Street ("Blue Owl") for approximately $120.8 million. Although the REIT sold 100 Wynford, the transaction did not meet the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of 100 Wynford for approximately $159.7 million in 2036 or earlier under certain circumstances. As such, the REIT continues to recognize the income producing property whereby the fair value will be adjusted over the remaining life of the Bell lease ("Bell lease") bringing the value of the real estate asset to nil by the lease maturity in April 2036. The net proceeds received by the REIT on disposition were $118.6 million. These proceeds were recorded as deferred revenue (classified as a liability) and will be amortized over the remaining term of the Bell lease and will consist of principal and interest.

The following is a summary of the Bow and 100 Wynford in the unaudited condensed consolidated interim statements of financial position in the REIT's Financial Statements:

	March 31, 2024			December 31
	The Bow	**100 Wynford**	**Total**	2023
Income producing property - fair value[1]	**$967,788**	**$107,075**	**$1,074,863**	$1,085,919
Deferred revenue - net of amortization of $85,346 (2023 - $75,314)	**830,716**	**106,923**	**937,639**	947,671

(1) The fair value of the income producing properties will be reduced as the remaining financial benefit from these income producing properties diminishes over the term of their respective leases.

The following is a summary of the financial results for the Bow and 100 Wynford included in the unaudited condensed consolidated interim statements of comprehensive income as well as a reconciliation of the Bow and 100 Wynford's contribution to FFO and AFFO:

	Three months ended March 31			
	The Bow	**100 Wynford**	**2024**	2023
Rental income earned	**$3,836**	**$—**	**$3,836**	$3,762
Rental income earned - **non-cash**	**21,169**	**2,157**	**23,326**	23,122
Revenue reimbursement for property operating costs	**13,817**	**435**	**14,252**	12,921
Property operating costs	**(13,876)**	**(430)**	**(14,306)**	(13,014)
Net operating income	**24,946**	**2,162**	**27,108**	26,791
Accretion finance expense on deferred revenue - **non-cash**	**(13,024)**	**(270)**	**(13,294)**	(13,758)
Fair value adjustment on real estate assets - **non-cash**	**(9,178)**	**(1,900)**	**(11,078)**	(10,595)
Net income (loss)	**2,744**	**(8)**	**2,736**	2,438
Fair value adjustment on real estate assets	**9,178**	**1,900**	**11,078**	10,595
Non-cash rental income and accretion adjustment	**(8,145)**	**(1,887)**	**(10,032)**	(9,364)
FFO[1]	**3,777**	**5**	**3,782**	3,669
Capital expenditures	**—**	**(7)**	**(7)**	(332)
AFFO[1]	**$3,777**	**($2)**	**$3,775**	$3,337

(1) These are non-GAAP measures. Refer to the *"Non-GAAP Measures"* section of this MD&A.

Excluding the non-cash rental income adjustment under IFRS 15, net operating income from the Bow for the three months ended March 31, 2024 was $3.8 million. Excluding the non-cash rental income adjustment under IFRS 15, net operating income from 100 Wynford for the three months ended March 31, 2024 was nil.

Deferred Tax Liability

H&R has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 24.0% in 2024 (2023 - 24.0%).

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(in thousands of Canadian dollars)	**March 31 2024**	December 31 2023
Deferred tax assets:		
Net operating losses	**$98,537**	$93,622
Accounts payable and accrued liabilities	**19**	2,732
	98,556	96,354
Deferred tax liabilities:		
Investment properties	**363,106**	362,581
Equity accounted investments	**175,015**	170,263
Other assets	**199**	724
	538,320	533,568
Deferred tax liability	**($439,764)**	($437,214)

The deferred tax liability relating to the investment properties is derived on the basis that the U.S. investment properties will be sold at their current fair value. The tax liability will only be realized upon an actual disposition of a property that is not subject to a property exchange under Section 1031 of the U.S. Internal Revenue Code. Deferred tax liability increased by approximately $2.6 million from $437.2 million as at December 31, 2023 to $439.8 million as at March 31, 2024 primarily due to the strengthening of the U.S. dollar.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased by $61.9 million from approximately $335.6 million as at December 31, 2023 to approximately $273.7 million as at March 31, 2024, primarily due to a $0.10 per Unit special cash distribution accrued as at December 31, 2023 and paid in January 2024 as well as the release of the Sunrise lease liabilities in January 2024.

Unitholders' Equity

Unitholders' equity increased by $91.2 million from approximately $5,192.4 million as at December 31, 2023 to approximately $5,283.6 million as at March 31, 2024, primarily due to other comprehensive income and net income during the three months ended March 31, 2024. This was partially offset by distributions to unitholders.

Normal Course Issuer Bid

On February 9, 2023, the REIT received approval from the TSX for the renewal of its normal course issuer bid ("NCIB") which allowed the REIT to purchase for cancellation up to a maximum of 26,028,249 Units on the open market until February 15, 2024.

During the three months ended March 31, 2024 the REIT did not purchase any Units for cancellation.

During the year ended December 31, 2023, the REIT purchased and cancelled 4,147,200 Units at a weighted average price of $10.30 per Unit, for a total cost of $42.7 million, representing a 50.4% discount to NAV per Unit as at December 31, 2023 (a non-GAAP ratio, refer to the *"Non-GAAP Measures"* section of this MD&A).

Unitholders' Equity per Unit and NAV per Unit (in thousands except for per Unit amounts)	**March 31 2024**	December 31 2023
Unitholders' equity	**$5,283,580**	$5,192,375
Exchangeable units	**166,261**	177,944
Deferred tax liability	**439,764**	437,214
Total	**5,889,605**	5,807,533
Units outstanding	**261,880**	261,868
Exchangeable units outstanding	**17,974**	17,974
Total	**279,854**	279,842
Unitholders' equity per Unit[1]	**$20.18**	$19.83
NAV per Unit[2]	**$21.05**	$20.75

(1) Unitholders' equity per Unit is calculated by dividing unitholders' equity by Units outstanding.
(2) This is a Non-GAAP ratio. Refer to the *"Non-GAAP Measures"* section of this MD&A.

The repurchasing of Units under H&R's NCIB during the year ended December 31, 2023 had a $0.15 positive impact on Unitholders' equity per Unit and NAV per Unit, respectively. Unitholders' equity per Unit and NAV per Unit, without accounting for any Units being repurchased during the year ended December 31, 2023, would have been $19.68 and $20.60, respectively.

RESULTS OF OPERATIONS

The following foreign exchange rates have been used in the results of operations when converting U.S. dollars to Canadian dollars except where otherwise noted:

	Three months ended March 31	
	2024	2023
For each U.S. $1.00	**$1.35 CAD**	$1.35 CAD

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, 2024			Three months ended March 31, 2023		
(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	**$209,521**	**$37,975**	**$247,496**	$218,295	$37,594	$255,889
Property operating costs	**(115,334)**	**(13,179)**	**(128,513)**	(120,995)	(13,655)	(134,650)
Net operating income	**94,187**	**24,796**	**118,983**	97,300	23,939	121,239
Net income (loss) from equity accounted investments	**12,550**	**(12,621)**	**(71)**	9,896	(9,851)	45
Finance costs - operations	**(53,514)**	**(12,320)**	**(65,834)**	(54,971)	(11,895)	(66,866)
Finance income	**2,346**	**115**	**2,461**	1,757	60	1,817
Trust expenses	**(6,414)**	**(1,831)**	**(8,245)**	(8,091)	(754)	(8,845)
Fair value adjustment on financial instruments	**18,890**	**(22)**	**18,868**	(19,877)	300	(19,577)
Fair value adjustment on real estate assets	**(44,167)**	**2,340**	**(41,827)**	84,991	13	85,004
Gain (loss) on sale of real estate assets, net of related costs	**866**	**10**	**876**	(497)	(1,629)	(2,126)
Net income before income taxes and non-controlling interest	**24,744**	**467**	**25,211**	110,508	183	110,691
Income tax (expense) recovery	**7,048**	**(103)**	**6,945**	(15,706)	(12)	(15,718)
Net income before non-controlling interest	**31,792**	**364**	**32,156**	94,802	171	94,973
Non-controlling interest	**—**	**(364)**	**(364)**	—	(171)	(171)
Net income	**31,792**	**—**	**31,792**	94,802	—	94,802
Other comprehensive income (loss):						
Items that are or may be reclassified subsequently to net income	**98,578**	**—**	**98,578**	(32,872)	—	(32,872)
Total comprehensive income attributable to unitholders	**$130,370**	**$—**	**$130,370**	$61,930	$—	$61,930

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

Net income before income taxes and non-controlling interest per the REIT's Financial Statements decreased by $85.8 million for the three months ended March 31, 2024 compared to the respective 2023 period primarily due to fair value adjustments on real estate assets, partially offset by fair value adjustments on financial instruments.

NET OPERATING INCOME

Net operating income consists of rentals from investment properties less property operating costs. Management believes that net operating income is a useful measure for investors in assessing the performance of H&R's properties before financing costs and other sources of income and expenditures, which are not directly related to the day-to-day operations of a property. Same-Property net operating income (cash basis), a non-GAAP financial measure, adjusts net operating income (including net operating income from equity accounted investments on a proportionately consolidated basis) to exclude straight-lining of contractual rent and realty taxes accounted for under IFRIC 21. "Same-Property" refers to those properties owned by H&R for the entire 15-month period ended March 31, 2024. It excludes acquisitions, dispositions, and transfers of investment properties to or from properties under development during the 15-month period ended March 31, 2024 (collectively, "Transactions"). Management believes that this measure is useful for investors as it adjusts net operating income (including net operating income from equity accounted investments on a proportionately consolidated basis) for non-cash items which allows investors to better understand period-over-period changes due to occupancy, rental rates, realty taxes and operating costs, before evaluating the changes attributable to Transactions. Furthermore, it is also used as a key input in determining the value of investment properties.

	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Rentals from investment properties	**$209,521**	$218,295	($8,774)
Property operating costs	**(115,334)**	(120,995)	5,661
Net operating income per the REIT's Financial Statements	**94,187**	97,300	(3,113)
Adjusted for:			
Net operating income from equity accounted investments[1]	**24,796**	23,939	857
Straight-lining of contractual rent at the REIT's proportionate share[1]	**(4,976)**	(3,758)	(1,218)
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share[1][2]	**43,821**	45,798	(1,977)
Net operating income (cash basis) from Transactions at the REIT's proportionate share[1]	**(29,527)**	(36,791)	7,264
Same-Property net operating income (cash basis)[1]	**$128,301**	$126,488	$1,813

(1) These are non-GAAP measures. Refer to the *"Non-GAAP Measures"* section of this MD&A.
(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 three months ended March 31, 2024 is as follows: (i) Residential: $26,916; (ii) Industrial: nil; (iii) Office: $10,324; and (iv) Retail: $6,581.

Net operating income per the REIT's Financial Statements decreased by $3.1 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to properties sold.

Net operating income from equity accounted investments increased by $0.9 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to rental growth and lower property operating costs at Jackson Park in Long Island City, NY.

Straight-lining of contractual rent at the REIT's proportionate share increased by $1.2 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to lease commencements at 1965 and 1925 Meadowvale Boulevard in Mississauga, ON in February 2024.

Same-Property net operating income (cash basis) increased by $1.8 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to the following: (i) an increase in retail occupancy and a reduction in rent concessions, which were given during the residential lease-up at River Landing in Miami, FL; (ii) rental growth and lower property operating costs at Jackson Park in Long Island City, NY; and (iii) an increase in occupancy and strong rental rate growth from H&R's industrial segment. This was partially offset by a decrease in occupancy from H&R's office segment mainly from properties advancing through rezoning including 3777 Kingsway in Burnaby, BC, which is under contract to be sold in May 2024.

SEGMENT INFORMATION

Operating Segments and Geographic Locations

H&R has four reportable operating segments (Residential, Industrial, Office and Retail), in two geographical locations (Canada and the United States). The operating segments derive their revenue primarily from rental income from leases. The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, determined to be the Chief Executive Officer ("CEO") of the REIT. The CEO measures and evaluates the performance of the REIT based on net operating income on a proportionately consolidated basis for the REIT's equity accounted investments.

The Residential segment consists of 24 residential properties in select markets in the United States. As at March 31, 2024, the portfolio comprised of 8,166 residential rental units, at H&R's ownership interest.

The Industrial segment consists of 66 industrial properties in Canada and two properties in the United States comprising 8.7 million square feet, at H&R's ownership interest, with an average lease term to maturity of 5.5 years as at March 31, 2024.

The Office segment, excluding the Bow and 100 Wynford, consists of 17 properties in Canada and three properties in select markets in the United States, aggregating 5.5 million square feet, at H&R's ownership interest, with an average lease term to maturity of 6.6 years as at March 31, 2024. The Office portfolio is leased on a long-term basis to creditworthy tenants, with 81.2% of office revenue from tenants with investment grade credit ratings. With long average lease terms resulting in only 3.3% of office square feet expiring during the balance of 2024, as well as high credit tenants, this segment tends to generate stable net operating income with gradual growth driven by contractual rental rate increases.

The Retail segment consists of 34 properties in Canada which are mostly single tenant properties as well as two single tenant retail properties and one multi-tenant retail property in the United States. In addition, the Retail segment also holds a 33.2% interest in ECHO, a privately held real estate and development company consisting of 233 properties, which focuses on developing and owning a core portfolio of grocery-anchored shopping centres in the United States. In total, this segment includes 34 properties in Canada and 236 properties in the United States comprising 5.2 million square feet, at H&R's ownership interest, with an average lease term to maturity of 8.2 years as at March 31, 2024.

Further disclosure of segment information for net operating income can be found in note 18 of the REIT's Financial Statements.

Net Operating Income by Segment

	Net operating income			**Occupancy**	
	Three months ended March 31			As at March 31	
(in thousands of Canadian dollars)	**2024**	2023	% Change	**2024**	2023
Operating Segment:					
Residential	**$15,411**	$14,182	8.7%	**94.4%**	94.8%
Industrial	**19,214**	17,780	8.1%	**99.4%**	98.9%
Office	**65,161**	71,185	(8.5%)	**94.8%**	98.6%
Retail	**19,197**	18,092	6.1%	**96.2%**	95.1%
The REIT's proportionate share(1)	**118,983**	121,239	(1.9%)	**96.4%**	97.0%
Less: equity accounted investments	**(24,796)**	(23,939)	3.6%	**97.3%**	96.5%
The REIT's Financial Statements	**$94,187**	$97,300	(3.2%)	**96.2%**	97.0%
Geographic Location:					
Canada	**78,550**	84,702	(7.3%)	**97.5%**	98.6%
United States	**40,433**	36,537	10.7%	**95.2%**	95.1%
The REIT's proportionate share(1)	**118,983**	121,239	(1.9%)	**96.4%**	97.0%
Less: equity accounted investments	**(24,796)**	(23,939)	3.6%	**97.3%**	96.5%
The REIT's Financial Statements	**$94,187**	$97,300	(3.2%)	**96.2%**	97.0%

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

Net operating income from residential properties increased by 8.7% for the three months ended March 31, 2024 compared to the respective 2023 period primarily due to rental growth and lower property operating costs at Jackson Park in Long Island City, NY as well as a reduction in rent concessions, which were given during the lease-up at River Landing in Miami, FL.

Net operating income from industrial properties increased by 8.1% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to lease commencements at 1965 and 1925 Meadowvale Boulevard in Mississauga, ON in

February 2024, an increase in occupancy, and strong rental rate growth. This was partially offset by a decrease in net operating income due to properties sold.

Net operating income from office properties decreased by 8.5% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to properties sold and lower lease termination fees earned.

Net operating income from retail properties increased by 6.1% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to an increase in occupancy at River Landing in Miami, FL, partially offset by a decrease in net operating income due to properties sold.

Same-Property Net Operating Income (Cash Basis) by Segment

The following segment information has been presented at the REIT's proportionate share, which is a non-GAAP measure defined in the *"Non-GAAP Measures"* section of this MD&A:

	Same-Property net operating income (cash basis)[1]			**Occupancy (Same-Property)**	
	Three months ended March 31			As at March 31	
(in thousands of Canadian dollars)	**2024**	2023	% Change	**2024**	2023
Operating Segment:					
Residential	**$42,340**	$41,026	3.2%	**94.4%**	94.8%
Industrial	**17,386**	16,535	5.1%	**99.4%**	99.1%
Office	**43,884**	45,560	(3.7%)	**94.8%**	98.7%
Retail	**24,691**	23,367	5.7%	**96.2%**	94.9%
The REIT's proportionate share[1] (page 29)	**$128,301**	$126,488	1.4%	**96.3%**	97.0%
Geographic Location:					
Ontario	**30,819**	31,312	(1.6%)	**97.8%**	98.5%
Alberta	**7,940**	7,840	1.3%	**98.6%**	98.6%
Other Canada	**5,530**	6,170	(10.4%)	**94.4%**	100.0%
Total – Canada	**44,289**	45,322	(2.3%)	**97.4%**	98.8%
United States	**84,012**	81,166	3.5%	**95.2%**	95.1%
The REIT's proportionate share[1] (page 29)	**$128,301**	$126,488	1.4%	**96.3%**	97.0%
United States in U.S. dollars:					
Residential	**31,363**	30,389	3.2%	**94.4%**	94.8%
Industrial	**447**	416	7.5%	**100.0%**	100.0%
Office	**16,528**	16,283	1.5%	**98.9%**	99.4%
Retail	**13,893**	13,035	6.6%	**95.0%**	93.0%
U.S. total in U.S. dollars	**$62,231**	$60,123	3.5%	**95.2%**	95.1%

(1) These are non-GAAP measures defined in the *"Non-GAAP Measures"* section of this MD&A.

Same-Property net operating income (cash basis) from residential properties in U.S. dollars increased by 3.2% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to rental growth and lower property operating costs at Jackson Park in Long Island City, NY as well as a reduction in rent concessions, which were given during the lease-up at River Landing in Miami, FL.

Same-Property net operating income (cash basis) from industrial properties increased by 5.1% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to an increase in occupancy and strong rental rate growth.

Same-Property net operating income (cash basis) from office properties decreased by 3.7% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to a decrease in occupancy mainly from properties advancing through rezoning including 3777 Kingsway in Burnaby, BC, which is under contract to be sold in May 2024.

Same-Property net operating income (cash basis) from retail properties increased by 5.7% for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to an increase in occupancy at River Landing in Miami, FL.

NET INCOME, FFO AND AFFO FROM EQUITY ACCOUNTED INVESTMENTS[1]

The following table provides a reconciliation of H&R's net income from equity accounted investments to FFO and AFFO from equity accounted investments:

	Three months ended March 31	
(in thousands of Canadian dollars)	**2024**	2023
Net income from equity accounted investments[1]	**$12,550**	$9,896
Realty taxes in accordance with IFRIC 21	**3,600**	3,617
Fair value adjustments on financial instruments and real estate assets	**(2,318)**	(313)
(Gain) loss on sale of real estate assets, net of related costs	**(10)**	1,629
FFO from equity accounted investments[1]	**13,822**	14,829
Straight-lining of contractual rent	**(147)**	(134)
Rent amortization of tenant inducements	**272**	279
Capital expenditures	**(675)**	(1,132)
Leasing expenses and tenant inducements	**(617)**	(153)
AFFO from equity accounted investments[1]	**$12,655**	$13,689

(1) Each of these line items represent the REIT's proportionate share of equity accounted investments. These are non-GAAP measures defined in the *"Non-GAAP Measures"* section of this MD&A.

Net income from equity accounted investments increased by $2.7 million for the three months ended March 31, 2024 compared to the respective 2023 period primarily due to fair value adjustments on real estate assets and gain (loss) on sale of real estate assets, partially offset by higher trust expenses.

INCOME AND EXPENSE ITEMS

The income and expense items section of this MD&A provides management's commentary on the Results of Operations per the REIT's Financial Statements.

Finance Costs

	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Finance costs – operations:			
Contractual interest on mortgages payable	**($14,533)**	($15,770)	$1,237
Contractual interest on debentures payable	**(9,963)**	(11,200)	1,237
Contractual interest on unsecured term loans	**(6,254)**	(7,418)	1,164
Bank interest and charges on lines of credit	**(8,746)**	(4,005)	(4,741)
Effective interest rate accretion	**(1,144)**	(1,036)	(108)
Accretion finance expense on deferred revenue	**(13,294)**	(13,758)	464
Exchangeable unit distributions	**(2,696)**	(2,696)	—
	(56,630)	(55,883)	(747)
Capitalized interest	**3,116**	912	2,204
	(53,514)	(54,971)	1,457
Finance income	**2,346**	1,757	589
Fair value adjustment on financial instruments	**18,890**	(19,877)	38,767
	($32,278)	($73,091)	$40,813

The decrease in contractual interest on mortgages payable of $1.2 million for the three months ended March 31, 2024 compared to the respective 2023 period is primarily due to mortgages repaid.

The decrease in contractual interest on debentures payable of $1.2 million for the three months ended March 31, 2024 compared to the respective 2023 period is primarily due to the repayment of the $350.0 million Series N Senior Debentures in January 2024 and the $250.0 million Series O Senior Debentures in January 2023, partially offset by the issuance of the $250.0 million Series T Senior Debentures in February 2024.

The decrease in contractual interest on unsecured term loans of $1.2 million for the three months ended March 31, 2024 compared to the respective 2023 period is primarily due to the repayment of a $125.0 million unsecured term loan in August 2023.

The increase in bank interest and charges on lines of credit of $4.7 million for the three months ended March 31, 2024 compared to the respective 2023 period is primarily due to H&R obtaining a new $275.0 million non-revolving secured credit facility in March 2023, higher borrowings on H&R's unsecured lines of credit, as well as rising interest rates.

The accretion finance expense on deferred revenue for the three months ended March 31, 2024 and 2023 is due to the proceeds from the sale of the Bow and 100 Wynford being amortized over the terms of their respective leases as both sale transactions did not meet the criteria of a transfer of control under IFRS 15. Refer to the *"Liabilities & Unitholders' Equity - Deferred Revenue"* section of this MD&A for further information on the Bow and 100 Wynford sale transactions.

The increase in capitalized interest of $2.2 million for the three months ended March 31, 2024 compared to the respective 2023 period is primarily due to two U.S. residential developments currently under construction.

The fair value adjustment on financial instruments of $18.9 million for the three months ended March 31, 2024 is primarily due to the following: (i) the unrealized gain on fair value of exchangeable units of $11.7 million which are fair valued at the end of each reporting period based on the quoted price of Units on the TSX; and (ii) an unrealized gain on derivative instruments of $7.2 million, which is further described in the *"Derivative Instruments"* section of this MD&A.

Trust Expenses	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
General expenses	**($8,272)**	($10,042)	$1,770
Third party property management fees earned	**3,234**	4,404	(1,170)
Unit-based compensation expense	**(1,898)**	(1,157)	(741)
Fair value adjustment to unit-based compensation	**522**	(1,296)	1,818
Trust expenses	**($6,414)**	($8,091)	$1,677

General expenses decreased by $1.8 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to a reduction in corporate overhead as H&R continues to advance its disposition program.

Third party property management fees earned decreased by $1.2 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to lower fees earned from property management services provided for H&R's industrial portfolio.

Unit-based compensation consists of the following two compensation plans: the REIT's Unit Option Plan and Incentive Unit Plan. Both plans are considered to be cash-settled under IFRS 2, *Share-based Payments* ("IFRS 2") and as a result, are measured at each reporting period and settlement date at their fair value as defined by IFRS 2 based on the quoted price of Units on the TSX. The fair value adjustment to unit-based compensation consists of the difference between the grant price and the quoted price of Units on the TSX at each reporting period.

Unit-based compensation expense increased by $0.7 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to the issuance of deferred units under the REIT's Incentive Unit Plan in Q1 2024. Deferred units vest immediately upon their grant date and will be redeemed and settled after a trustee ceases to be a member of the REIT's board of trustees.

Fair Value Adjustment on Real Estate Assets	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Operating Segment:			
Residential	**($8,193)**	$17,257	($25,450)
Industrial	**(18,519)**	(3,015)	(15,504)
Office	**(6,040)**	36,008	(42,048)
Retail	**(7,594)**	(3,246)	(4,348)
Land and properties under development	**(1,481)**	38,000	(39,481)
Fair value adjustment on real estate assets per the REIT's proportionate share[1]	**(41,827)**	85,004	(126,831)
Less: equity accounted investments	**(2,340)**	(13)	(2,327)
Fair value adjustment on real estate assets per the REIT's Financial Statements	**($44,167)**	$84,991	($129,158)

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

Fair value adjustments on real estate assets are determined based on the movement of various parameters, including changes in capitalization rates, discount rates, terminal capitalization rates, future cash flow projections, and market values established by recent sales activity in the same or similar market.

Refer to the *"Valuation of Investment Properties"* section of this MD&A for further disclosure on the REIT's capitalization rates.

Gain (Loss) on Sale of Real Estate Assets, Net of Related Costs	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Gain (loss) on sale of real estate assets, net of related costs	**$866**	($497)	$1,363

For a list of property dispositions, refer to the *"Investment Properties"* section of this MD&A.

During the three months ended March 31, 2024, the REIT sold two U.S. retail properties and a 50% interest in four Canadian industrial properties and recognized a gain on sale of real estate assets, net of related costs of $0.9 million. During the three months ended March 31, 2023, the REIT sold a 50% interest in one Canadian office property and a 50% interest in one Canadian industrial property and recognized a loss on sale of real estate assets, net of related costs of ($0.5) million. The total proceeds from these sales amounted to $27.5 million for the three months ended March 31, 2024 ($19.0 million - three months ended March 31, 2023).

Income Tax (Expense) Recovery	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Income tax computed at the Canadian statutory rate of nil applicable to H&R for 2024 and 2023	**$—**	$—	$—
Current U.S. income tax expense	**(339)**	(328)	(11)
Deferred income tax (expense) recovery applicable to U.S. Holdco	**7,387**	(15,378)	22,765
Income tax (expense) recovery in the determination of net income	**$7,048**	($15,706)	$22,754

H&R is generally subject to tax in Canada under the *Income Tax Act* (Canada) ("Tax Act") with respect to its taxable income each year, except to the extent such taxable income is paid or made payable to unitholders and deducted by H&R for tax purposes. H&R's current income tax expense is primarily due to U.S. state taxes.

H&R's deferred income tax is recorded in respect of H&R REIT (U.S.) Holdings Inc. ("U.S. Holdco") and arose due to taxable temporary differences between the tax and accounting bases of assets and liabilities net of the benefit of unused tax credits and losses that are available to be carried forward to future tax years to the extent that it is probable that the unused tax credits and losses can be realized. Deferred income tax expense decreased by $22.8 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to fair value adjustments on real estate assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, based on the tax laws that have been enacted or substantively enacted at the statement of financial position date. Deferred income tax relating to items recognized in equity are also recognized in equity. As at March 31, 2024, H&R had net deferred tax liabilities of $439.8 million (December 31, 2023 - $437.2 million), primarily related to taxable temporary differences between the tax and accounting bases of U.S. real estate assets. Refer to the *"Deferred Tax Liability"* section of this MD&A for further information.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

H&R presents its consolidated FFO and AFFO calculations in accordance with the January 2022 guidance in the REALPAC Funds Real Property Association of Canada's (REALPAC) *White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS,* except for the Bow and 100 Wynford non-cash rental and accretion adjustments which are further explained under the *"Non-GAAP Measures"* section of this MD&A.

FFO and AFFO

(in thousands of Canadian dollars except per Unit amounts)	Three months ended March 31 **2024**	2023
Net income per the REIT's Financial Statements	**$31,792**	$94,802
Realty taxes in accordance with IFRIC 21	**40,221**	42,181
FFO adjustments from equity accounted investments (page 32)	**1,272**	4,933
Exchangeable unit distributions	**2,696**	2,696
Fair value adjustments on financial instruments and real estate assets	**25,277**	(65,114)
Fair value adjustment to unit-based compensation	**(522)**	1,296
(Gain) loss on sale of real estate assets, net of related costs	**(866)**	497
Deferred income tax expense (recovery) applicable to U.S. Holdco	**(7,387)**	15,378
Incremental leasing costs	**615**	587
The Bow and 100 Wynford non-cash rental income and accretion adjustments	**(10,032)**	(9,364)
FFO(1)	**$83,066**	$87,892
Straight-lining of contractual rent	**(4,829)**	(3,624)
Rent amortization of tenant inducements	**1,130**	1,123
Capital expenditures	**(8,583)**	(9,232)
Leasing expenses and tenant inducements	**(215)**	(760)
Incremental leasing costs	**(615)**	(587)
AFFO adjustments from equity accounted investments (page 32)	**(1,167)**	(1,140)
AFFO(1)	**$68,787**	$73,672
Basic and diluted weighted average number of Units and exchangeable units (in thousands of Units)(2)	**279,847**	283,892
FFO per basic and diluted Unit(3)	**$0.297**	$0.310
AFFO per basic and diluted Unit(3)	**$0.246**	$0.260
Cash Distributions per Unit	**$0.150**	$0.150
Payout ratio as a % of FFO(3)	**50.5%**	48.4%
Payout ratio as a % of AFFO(3)	**61.0%**	57.7%

(1) These are non-GAAP measures. Refer to the *"Non-GAAP Measures"* section of this MD&A.
(2) For both the three months ended March 31, 2024 and 2023, included in the weighted average and diluted weighted average number of Units are exchangeable units of 17,974,186.
(3) These are non-GAAP ratios. Refer to the *"Non-GAAP Measures"* section of this MD&A.

FFO and AFFO decreased by $4.8 million and $4.9 million, respectively, for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to property dispositions.

Included in FFO are the following items at the REIT's proportionate share (a non-GAAP measure, refer to the*"Non-GAAP Measures"* section of this MD&A) which can be a source of variances between periods:

(in thousands of Canadian dollars)	Three months ended March 31 **2024**	2023	Change
Lease termination fees	**$84**	$865	($781)

Excluding the above items, FFO would have been $83.0 million for the three months ended March 31, 2024 (Q1 2023 - $87.0 million) and $0.297 per basic Unit (Q1 2023 - $0.307 per basic Unit).

Capital and Tenant Expenditures

The following is a breakdown of H&R's capital expenditures and tenant expenditures (leasing expenditures and tenant inducements) by operating segment:

	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Residential:			
Capital expenditures	**$7,144**	$6,769	$375
Industrial:			
Capital expenditures	**381**	559	(178)
Leasing expenses and tenant inducements	**215**	355	(140)
Office:			
Capital expenditures	**1,254**	1,963	(709)
Leasing expenses and tenant inducements	**(53)**	405	(458)
Retail:			
Capital expenditures	**479**	1,073	(594)
Leasing expenses and tenant inducements	**670**	153	517
Total at the REIT's proportionate share[1]	**10,090**	11,277	(1,187)
Less: equity accounted investments	**(1,292)**	(1,285)	(7)
Total per the REIT's Financial Statements[2]	**$8,798**	$9,992	($1,194)

(1) The REIT's proportionate share is a non-GAAP measure defined in the *"Non-GAAP Measures"* section of this MD&A.
(2) Equal to the sum of capital expenditures and leasing expenses and tenant inducements per the REIT's Financial Statements.

Capital expenditures from the Residential segment for the three months ended March 31, 2024 included the following: (i) $1.5 million, relating to capital turn expenses across all properties including interior painting, flooring, and HVAC replacements; (ii) $3.1 million, relating to revenue enhancing projects such as private yards, washers and dryers, and in-unit value-add repositioning initiatives undertaken on two of H&R's oldest residential rental communities; and (iii) $2.5 million, relating to asset preservation projects including exterior painting at two properties, along with landscaping and common area improvements across H&R's portfolio.

Capital expenditures from the Office segment for the three months ended March 31, 2024 included $0.7 million relating to refurbishments of washrooms and the replacement of building automation system controllers at a Calgary, AB office property.

LIQUIDITY AND CAPITAL RESOURCES

Cash Distributions

In accordance with National Policy 41-201 – *Income Trusts and Other Indirect Offerings*, the REIT is required to provide the following additional disclosure relating to cash distributions:

(in thousands of Canadian dollars)	**Three months ended March 31 2024**	Year ended December 31 2023	Year ended December 31 2022
Cash provided by operations	**$78,239**	$294,625	$255,054
Net income	**31,792**	61,690	844,823
Distributions	**39,281**	184,372	159,785
Excess cash provided by operations over total distributions	**38,958**	110,253	95,269
Excess (shortfall) of net income over total distributions	**(7,489)**	(122,682)	685,038

Cash provided by operations exceeded distributions for all periods noted above. Distributions exceeded net income for the three months ended March 31, 2024 and the year ended December 31, 2023 primarily due to non-cash items. Non-cash items relating to the fair value adjustments on financial instruments, real estate assets and unit-based compensation, gain (loss) on sale of real estate assets, and deferred income taxes (recoveries) are deducted from or added to net income and have no impact on cash available to pay distributions.

Major Cash Flow Components

	Three months ended March 31		
(in thousands of Canadian dollars)	**2024**	2023	Change
Cash and cash equivalents, beginning of year	**$64,111**	$76,887	($12,776)
Cash flows from operations	**78,239**	36,774	41,465
Cash flows used for investing	**(41,675)**	(20,972)	(20,703)
Cash flows used for financing	**(26,092)**	(24,269)	(1,823)
Cash and cash equivalents, end of period	**$74,583**	$68,420	$6,163

Cash flows from operations increased by $41.5 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to changes in non-cash working capital.

Cash flows from investing decreased by $20.7 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to cash spent to acquire properties under development in Q1 2024. This was partially offset by a decrease in restricted cash mainly resulting from proceeds from the sale of U.S. properties being released under Section 1031 of the U.S. Internal Revenue Code to acquire U.S. residential land parcels in Q1 2024, as well as mortgage receivable repayments received in Q1 2024.

Cash flows used for financing decreased by $1.8 million for the three months ended March 31, 2024 compared to the respective 2023 period, primarily due to a $0.10 per Unit special distribution declared in December 2023 and paid in January 2024 compared to a $0.05 per Unit special distribution declared in December 2022 and paid in January 2023. This was partially offset by lower mortgage principal repayments.

Funding of Future Commitments and Debt Profile

As at March 31, 2024, H&R had cash and cash equivalents of $74.6 million, $730.7 million available under its unused lines of credit and an unencumbered property pool of approximately $4.3 billion.

The following summarizes the estimated loan to value ratios on investment properties and properties under development for which mortgages mature over the next five years:

Year	Number of Properties	Mortgage Debt due on Maturity ($000's)	Weighted Average Interest Rate on Maturity	Fair Value of Real Estate Assets ($000's)	Loan to Value
2024[(1)(2)]	7	$208,410	4.1%	$832,598	25%
2025	8	104,331	3.9%	267,647	39%
2026	3	8,613	3.2%	35,600	24%
2027	10	425,371	4.1%	1,147,171	37%
2028	12	486,421	4.1%	1,061,621	46%
	40	$1,233,146	4.1%	$3,344,637	37%

(1) For the balance of the year.
(2) 2024 includes three properties that were classified as held for sale as at March 31, 2024 with an aggregate fair value of $368.2 million and mortgage debt due on maturity totalling $103.8 million. 25 Dockside Drive was subsequently sold in April 2024 and the respective mortgage totalling $60.0 million was repaid upon closing. The mortgages secured against the remaining two properties are expected to be repaid prior to the closing of each respective sale.

The mortgages outstanding as at March 31, 2024 bear interest at a weighted average rate of 4.1% (December 31, 2023 - 4.0%) and mature between 2024 and 2030 (December 31, 2023 – mature between 2024 and 2030). The weighted average term to maturity of the REIT's mortgages is 3.2 years (December 31, 2023 - 3.5 years). As at March 31, 2024, the non-recourse mortgages to total mortgages ratio was 63.8% (December 31, 2023 - 59.8%).

Unsecured Senior Debentures (in thousands of Canadian Dollars)	Maturity	Contractual Interest Rate	Effective Interest Rate	Principal Amount	**March 31 2024** Carrying Value	December 31 2023 Carrying Value
Senior Debentures						
Series N Senior Debentures	January 30, 2024[1]	3.37%	3.45%	$—	**$—**	$349,965
Series Q Senior Debentures	June 16, 2025	4.07%	4.19%	400,000	**399,429**	399,311
Series R Senior Debentures	June 2, 2026	2.91%	3.00%	250,000	**249,497**	249,443
Series S Senior Debentures	February 19, 2027	2.63%	2.72%	300,000	**299,303**	299,241
Series T Senior Debentures	February 28, 2029	5.46%	5.56%	250,000	**248,820**	—
		3.76%	3.86%	$1,200,000	**$1,197,049**	$1,297,960

(1) In January 2024, the REIT repaid all of its outstanding Series N senior debentures upon maturity for a cash payment of $350.0 million.

Unsecured Term Loans (in thousands of Canadian Dollars)	Maturity Date	**March 31 2024**	December 31 2023
H&R unsecured term loan #1[1]	January 6, 2026	**$250,000**	$250,000
H&R unsecured term loan #2[2]	November 30, 2026[4]	**125,000**	125,000
H&R unsecured term loan #3[3]	March 7, 2027[5]	**250,000**	250,000
		$625,000	$625,000

(1) The REIT entered into an interest rate swap to fix the interest rate at 4.16% per annum. The swap matures on January 6, 2026.
(2) The REIT entered into an interest rate swap to fix the interest rate at 5.19% per annum. The swap matures on September 29, 2027.
(3) The REIT entered into an interest rate swap to fix the interest rate at 3.42% per annum. The swap matures on May 7, 2030.
(4) In April 2024, the $125.0 million unsecured term loan agreement was amended to extend the maturity date from November 30, 2025 to November 30, 2026.
(5) In March 2024, the $250.0 million unsecured term loan agreement was amended to extend the maturity date from March 7, 2025 to March 7, 2027.

Lines of Credit (in thousands of Canadian Dollars)	Maturity Date	Total Facility	Amount Drawn	Outstanding Letters of Credit	Available Balance
Revolving unsecured operating lines of credit:					
H&R revolving unsecured line of credit	September 20, 2026[2]	$150,000	($93,000)	$—	$57,000
H&R revolving unsecured line of credit	December 14, 2027	750,000	(93,000)	(1,873)	655,127
H&R revolving unsecured letter of credit facility		60,000	—	(41,420)	18,580
Sub-total		960,000	(186,000)	(43,293)	730,707
Non-revolving secured operating line of credit[1]					
H&R and CrestPSP non-revolving secured line of credit	March 14, 2026	269,473	(269,473)	—	—
March 31, 2024		**$1,229,473**	**($455,473)**	**($43,293)**	**$730,707**
December 31, 2023		$1,234,230	($304,710)	($43,018)	$886,502

(1) Secured by certain investment properties.
(2) In March 2024, the $150.0 million revolving unsecured line of credit agreement was amended to extend the maturity date from September 20, 2024 to September 20, 2026.

The lines of credit can be drawn in either Canadian or U.S. dollars and bear interest at a rate approximating the prime rate of a Canadian chartered bank. Included in lines of credit as at March 31, 2024 are U.S. dollar denominated amounts of nil (December 31, 2023 - $14.0 million). The Canadian equivalent of these amounts are nil (December 31, 2023 - $18.5 million).

Contractual Obligations

The following is a summary as at March 31, 2024 of material contractual obligations including payments due for the next five years and thereafter:

	Payments Due by Period					
Contractual Obligations[1] **(in thousands of Canadian dollars)**	2024[2]	2025	2026	2027-2028	2029 and thereafter	Total
Mortgages payable[3][4]	$243,124	$138,958	$42,887	$943,201	$133,885	$1,502,055
Senior debentures	—	400,000	250,000	300,000	250,000	1,200,000
Unsecured term loans[5]	—	125,000	250,000	250,000	—	625,000
Lines of credit	—	—	362,473	93,000	—	455,473
Committed Developments[6]	111,032	—	—	—	—	111,032
Total contractual obligations	$354,156	$663,958	$905,360	$1,586,201	$383,885	$3,893,560

(1) The amounts in the above table are the principal amounts due under the contractual agreements.
(2) For the balance of the year.
(3) Non-recourse mortgages to total mortgages ratio is 63.8%.
(4) Mortgages payable due in 2024 includes three mortgages totalling $110.7 million secured against three properties that were classified as held for sale as at March 31, 2024 with an aggregate fair value of $368.2 million. 25 Dockside Drive was subsequently sold in April 2024 and the respective mortgage totalling $60.0 million was repaid upon closing. The mortgages secured against the remaining two properties are expected to be repaid prior to the closing of each respective sale.
(5) In April 2024, the $125.0 million unsecured term loan agreement was amended to extend the maturity date from November 30, 2025 to November 30, 2026.
(6) Committed Developments include West Love, Midtown, and 6900 Maritz Drive. Refer to the *"Properties Under Development"* section of the MD&A for further information on each of these developments.

Capital Resources

As at March 31, 2024, H&R had cash and cash equivalents of $74.6 million and amounts available under its lines of credit totalling $730.7 million. Subject to market conditions, management expects to be able to meet all of the REIT's ongoing contractual obligations. As at March 31, 2024, the REIT was not in default or arrears on any of its obligations including interest or principal payments on debt and any debt covenant. As at March 31, 2024, H&R had 81 unencumbered properties (including properties under development), with a fair value of approximately $4.3 billion. Also, due to H&R's 27 year history and management's conservative strategy of securing long-term financing on individual properties, H&R has numerous other properties with very low loan to value ratios. As at March 31, 2024, H&R had 8 properties valued at approximately $578.3 million which are encumbered with mortgages totalling $143.0 million. In this pool of assets, the average loan to value ratio is 24.7%, the minimum loan to value ratio is 11.2% and the maximum loan to value ratio is 28.8%. The weighted average remaining term to maturity of this pool of mortgages is 1.3 years.

Credit Rating

DBRS Morningstar ("DBRS") provides credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to default payment (generally D). A credit rating is not a recommendation to buy, sell or hold securities.

DBRS has confirmed that H&R has a credit rating of BBB with a Stable trend as at March 31, 2024. A credit rating of BBB by DBRS is generally an indication of adequate credit quality, where the capacity for payment of financial obligations is considered acceptable, however the entity may be vulnerable to future events. A credit rating of BBB or higher is an investment grade rating. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by DBRS at any time. The credit rating is reviewed periodically by DBRS.

OFF-BALANCE SHEET ITEMS

In the normal course of operations, H&R has issued letters of credit in connection with developments, financings, operations and acquisitions. As at March 31, 2024, H&R has outstanding letters of credit totalling $43.3 million (December 31, 2023 - $43.0 million), including $20.0 million (December 31, 2023 - $20.0 million) which has been pledged as security for certain mortgages payable. The letters of credit may be secured by certain investment properties.

H&R has co-owners and partners in various projects. As a general rule, H&R does not provide guarantees or indemnities for these co-owners and partners pursuant to property acquisitions because should such guarantees be provided, recourse would be available against H&R in the event of a default of the co-owners and partners. In such case, H&R would have a claim against the underlying real estate investment. However, in certain circumstances, subject to compliance with H&R's Declaration of Trust and the determination by management that the fair value of the co-owners' or partners' investment is greater than the mortgages payable for which H&R has provided guarantees, such guarantees have been previously provided. As at March 31, 2024, such guarantees amounted to $6.7 million, which expires in 2026 (December 31, 2023 - $6.7 million, which expires in 2026), and no amount has been provided for in the REIT's Financial Statements for these items. These amounts arise where H&R has guaranteed a co-owner's share of the mortgage liability. H&R, however, customarily guarantees or indemnifies the obligations of its nominee companies, which hold title to each of its properties owned.

On December 31, 2021, the REIT completed a spin off, on a tax-free basis, of 27 properties including all of the REIT's enclosed shopping centres (the "Primaris Spin-Off") to a new publicly-traded REIT ("Primaris REIT"). The REIT continues to guarantee certain debt in connection with the Primaris Spin-Off, and will remain liable until such debts are extinguished or the lenders agree to release the REIT's guarantees. As at March 31, 2024, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was $170.1 million, which expire between 2024 and 2030 (December 31, 2023 - $208.8 million – which expire between 2024 and 2030).

In addition, the REIT provides guarantees on behalf of the co-owners of certain of Primaris REIT's properties. As at March 31, 2024, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was $88.8 million, which expire between 2024 and 2027 (December 31, 2023 - $89.3 million, which expire between 2024 and 2027). There have been no defaults by the primary obligor for debts on which the REIT has provided its guarantees, and as a result, no contingent loss on these guarantees has been recognized in the REIT's Financial Statements.

DERIVATIVE INSTRUMENTS

Where appropriate, H&R uses interest rate swaps to lock-in lending rates on certain anticipated mortgages, debentures and bank borrowings. This strategy provides certainty to the rate of interest on borrowings when H&R is involved in transactions that may close further into the future than usual for typical transactions. At the end of each reporting period, an interest rate swap is marked-to-market, resulting in an unrealized gain or loss recorded in net income (loss).

Where appropriate, H&R uses forward exchange contracts to lock-in foreign exchange rates. As at March 31, 2024, H&R had one forward exchange contact in place, noted in the table below. This strategy manages risks related to foreign exchange rates on transactions that will occur in the future.

During 2024 and 2023, H&R had the following swaps outstanding:

		Fair value asset (liability)*		Net unrealized gain (loss) on derivative instruments	
		March 31	December 31	Three months ended March 31	
(in thousands of Canadian dollars)	**Maturity**	**2024**	2023	**2024**	2023
Foreign exchange hedge[1]	April 10, 2024	**$167**	$1,733	**($1,566)**	$1,004
Term loan interest rate swap[2]	January 6, 2026	**8,870**	8,171	**699**	(2,148)
Debt interest rate swap[3]	September 29, 2027	**2,280**	(1,229)	**3,509**	(3,279)
Term loan interest rate swap[4]	May 7, 2030	**24,580**	20,015	**4,565**	(6,647)
		$35,897	$28,690	**$7,207**	($11,070)

(1) To fix the foreign exchange rate at $1.38 on U.S. $10.0 million, monthly. The hedge terminated in April 2024.

(2) To fix the interest rate at 4.16% per annum for the $250.0 million term loan.

(3) To fix the interest rate at 5.19% per annum on $250.0 million of variable rate debt, which includes a $125.0 million unsecured term loan.

(4) To fix the interest rate at 3.42% per annum for the $250.0 million term loan.

* Derivative instruments in asset and liability positions are not presented on a net basis. Derivative instruments in an asset position are recorded in “other assets” and derivative instruments in a liability position are recorded in “accounts payable and accrued liabilities”.

SELECTED FINANCIAL INFORMATION

Summary of Quarterly Information

The following tables summarize certain financial information for the quarters indicated below:

(in thousands of Canadian dollars)	**Q1 2024**	Q4 2023	Q3 2023	Q2 2023
Rentals from investment properties	**$209,521**	$205,904	$210,446	$212,501
Net income (loss) from equity accounted investments	**12,550**	145,320	(11,017)	1,260
Net income (loss)	**31,792**	(11,313)	37,596	(59,395)
Total comprehensive income (loss) attributable to unitholders	**130,370**	(142,303)	166,623	(155,762)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Rentals from investment properties	$218,295	$216,835	$213,709	$202,394
Net income (loss) from equity accounted investments	9,896	53,473	(60,071)	8,884
Net income (loss)	94,802	(116,129)	(121,496)	112,457
Total comprehensive income (loss) attributable to unitholders	61,930	(188,004)	172,927	248,581

Major fluctuations between quarterly results are generally due to property acquisitions, dispositions, changes in foreign exchange rates and changes in the fair value of financial instruments and real estate assets.

Rentals from investment properties increased by $3.6 million in Q1 2024 compared to Q4 2023 primarily due to an office property in Q4 2023 having a lower one-time realty tax recovery as a result of a lower final realty tax bill received during that period as well as lease commencements at 1965 & 1925 Meadowvale Boulevard in Mississauga, ON in February 2024.

Net income from equity accounted investments decreased by $132.8 million in Q1 2024 compared to Q4 2023 primarily due to fair value adjustments on real estate assets recorded in Q4 2023.

Net income (loss) increased by $43.1 million in Q1 2024 compared to Q4 2023 primarily due to fair value adjustments on real estate assets and financial instruments, and deferred income tax (expense) recovery applicable to U.S. Holdco. This was partially offset by the net income (loss) from equity accounted investments noted above and a decrease in net operating income as a result of the non-cash impact of IFRIC 21.

Total comprehensive income (loss) attributable to unitholders increased by $272.7 million in Q1 2024 compared to Q4 2023 primarily due to the increase in net income (loss) noted above as well as an unrealized foreign currency gain on translation of U.S. denominated foreign operations of $98.6 million in Q1 2024 compared to an unrealized loss of $131.0 million in Q4 2023.

SECTION IV

NON-GAAP MEASURES AND NON-GAAP RATIOS

The REIT's Financial Statements are prepared in accordance with IFRS. However, in this MD&A, a number of measures and ratios are presented that are not measures or ratios under GAAP in accordance with IFRS. These measures and ratios, as well as the reasons why management believes these measures and ratios are useful to investors, are described below.

None of these non-GAAP measures and non-GAAP ratios should be construed as an alternative to financial measures calculated in accordance with GAAP. Furthermore, these supplemental non-GAAP measures and non-GAAP ratios are not standardized under IFRS and the REIT's method of calculating these supplemental non-GAAP measures and non-GAAP ratios may differ from the methods of other real estate investment trusts or other issuers, and accordingly may not be comparable.

Non-GAAP Measures

(a) **The REIT's proportionate share**

H&R accounts for investments in joint ventures and associates as equity accounted investments in accordance with IFRS. The REIT's proportionate share is a non-GAAP measure that adjusts the REIT's Financial Statements to reflect the REIT's financial position and share of net income (loss) from H&R's equity accounted investments on a proportionately consolidated basis at H&R's ownership interest in the applicable investment. Management believes this measure is important for investors as it is consistent with how H&R reviews and assesses operating performance of its entire portfolio. Throughout this MD&A, the balances at the REIT's proportionate share have been reconciled back to relevant GAAP measures. Refer to the *"Financial Position"* and *"Results of Operations"* sections on pages 13 and 28, respectively, of this MD&A for reconciliations from the REIT's Financial Statements to the REIT's proportionate share.

(b) **Net operating income (cash basis) and Same-Property net operating income (cash basis)**

Net operating income (cash basis) is a non-GAAP measure used by H&R to assess performance for properties owned. It adjusts net operating income to exclude four non-cash items:

(i) Straight-lining of contractual rent. By excluding the impact of straight-lining of contractual rent, rentals from investment properties will consist primarily of actual rents collected by H&R.
(ii) Realty taxes accounted for under IFRS Interpretations Committee Interpretation 21, *Levies* ("IFRIC 21"), which relates to the timing of the liability recognition for U.S. realty taxes. By excluding the impact of IFRIC 21, U.S. realty tax expenses are evenly matched with realty tax recoveries received from tenants throughout the period.
(iii) The Bow non-cash rental adjustment. This is a result of the Bow sale transaction not meeting the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of the Bow. The REIT is legally only entitled to 15% of the lease revenue from the Ovintiv lease, however, under IFRS 15, 100% of the lease revenue is recognized in the REIT's Financial Statements, resulting in 85% of the recognized lease revenue being non-cash.

(iv) 100 Wynford non-cash rental adjustment. This is a result of the 100 Wynford sale transaction not meeting the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of 100 Wynford. Under IFRS 15, the REIT recognizes 100% of the lease revenue in the REIT's Financial Statements which represents a non-cash item.

Same-Property net operating income (cash basis) is a non-GAAP measure used by H&R to assess period-over-period performance for properties owned and operated since January 1, 2023. Same-Property net operating income (cash basis) adjusts net operating income to include net operating income from equity accounted investments on a proportionately consolidated basis at H&R's ownership interest of the applicable investment. Same-Property net operating income (cash basis) also excludes the first two non-cash items noted above as the Bow and 100 Wynford have been included in Transactions.

Same-Property net operating income (cash basis) further excludes:

- Acquisitions, dispositions, and transfers of investment properties to or from properties under development during the 15-month period ended March 31, 2024 (collectively, "Transactions").

Management believes net operating income (cash basis) is useful for investors as it adjusts net operating income for non-cash items which allows investors to better understand the cash-on-cash performance of a property. Management believes that Same-Property net operating income (cash basis) is useful for investors as it adjusts net operating income (including net operating income from equity accounted investments on a proportionately consolidated basis) for non-cash items which allows investors to better understand period-over-period changes due to occupancy, rental rates, realty taxes and operating costs, before evaluating the changes attributable to Transactions. Furthermore, both measures are also used as a key input in determining the value of investment properties. Refer to the *"Net Operating Income"* section on page 29 in this MD&A for a reconciliation of net operating income to Same-Property net operating income (cash basis).

(c) **Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO")**

FFO and AFFO are non-GAAP measures widely used in the real estate industry as a measure of operating performance particularly by those publicly traded entities that own and operate investment properties. H&R presents its consolidated FFO and AFFO calculations in accordance with the January 2022 guidance in the REALPAC Funds Real Property Association of Canada's (REALPAC) *White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS,* except for "the Bow and 100 Wynford non-cash rental and accretion adjustments".

The Bow office property in Calgary, AB was legally disposed of in October 2021. The 100 Wynford office property in Toronto, ON was legally disposed of in August 2022.

- The Bow non-cash rental adjustment is a result of the Bow sale transaction not meeting the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of the Bow. The REIT is legally only entitled to 15% of the lease revenue from the Ovintiv lease, however, under IFRS 15, 100% of the lease revenue is recognized in the REIT's Financial Statements, resulting in 85% of the recognized lease revenue being non-cash.
- 100 Wynford non-cash rental adjustment is a result of the 100 Wynford sale transaction not meeting the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of 100 Wynford. Under IFRS 15, the REIT recognizes 100% of the lease revenue in the REIT's Financial Statements which represents a non-cash item.
- The Bow and 100 Wynford non-cash accretion adjustments are a result of the sale proceeds received by the REIT recorded as deferred revenue and amortized over the remaining terms of the respective leases, consisting of principal and interest in the REIT's Financial Statements.

Therefore, the non-cash components of lease revenue and the interest accretion finance expense have both been adjusted in calculating FFO as the Bow and 100 Wynford non-cash rental and accretion adjustments.

FFO provides an operating performance measure that when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, property operating costs, acquisition activities and finance costs, that is not immediately apparent from net income (loss) determined in accordance with IFRS. Management believes FFO to be a useful earnings measure for investors as it adjusts net income (loss) for items that are not recurring including gain (loss) on sale of real estate assets, as well as non-cash items such as the fair value adjustments on investment properties.

AFFO is calculated by adjusting FFO for the following items: straight-lining of contractual rent, capital expenditures, leasing expenses and tenant inducements. Although capital and tenant expenditures can vary from quarter to quarter due to tenant turnovers, vacancies and the age of a property, H&R has elected to deduct actual capital and tenant expenditures in the relevant period. This may differ from others in the industry that deduct a normalized amount of capital expenditures, leasing expenses and tenant inducements based on historical activity, in their AFFO calculation. Furthermore, since H&R adjusts for actual tenant inducements paid, the amortization of tenant inducements per the REIT's Financial Statements and at the REIT's proportionate share is added back in order to only deduct the actual costs incurred by the REIT. Capital expenditures excluded and not deducted in the calculation of AFFO relate to capital expenditures which generate a new investment stream.

H&R's method of calculating FFO and AFFO may differ from other issuers' calculations. FFO and AFFO should not be construed as an alternative to net income (loss) or any other operating or liquidity measure prescribed under IFRS. Management uses FFO and AFFO to better understand and assess operating performance since net income (loss) includes several non-cash items which management believes are not fully indicative of the REIT's performance. Refer to the *"Funds From Operations and Adjusted Funds From Operations"* section on page 35 of this MD&A for a reconciliation of net income (loss) to FFO and AFFO.

Non-GAAP Ratios

(a) **Debt to Adjusted EBITDA at the REIT's proportionate share**

Debt to Adjusted EBITDA at the REIT's proportionate share is a non-GAAP ratio used to evaluate financial leverage. Debt includes mortgages, debentures, unsecured term loans, lines of credit payable to lenders and liabilities classified as held for sale. Adjusted EBITDA is calculated by taking the sum of net operating income (excluding straight-lining of contractual rent, IFRIC 21, as well as the Bow and 100 Wynford non-cash rental adjustments) and finance income and subtracting trust expenses (excluding the fair value adjustment to unit-based compensation) for the last 12 months. The Bow's non-cash rent is due to the REIT recognizing 100% of the lease revenue from the Ovintiv lease in the REIT's Financial Statements in accordance with IFRS 15, however the REIT is only legally entitled to 15% of the lease revenue. 100 Wynford's non-cash rent is due to the REIT recognizing 100% of the lease revenue from the Bell lease in the REIT's Financial Statements in accordance with IFRS 15. Adjusted EBITDA is used as an alternative to net income (loss) because it excludes major non-cash items. Management uses this ratio and believes it is useful for investors as it is an operational measure used to evaluate the length of time it would take the REIT to repay its debt based on its operating performance. Debt to Adjusted EBITDA at the REIT's proportionate share and a reconciliation of Adjusted EBITDA to net income (loss) is presented in the *"Debt"* section on page 23 of this MD&A.

(b) **Debt to total assets at the REIT's proportionate share**

H&R's Declaration of Trust limits the indebtedness of H&R (subject to certain exceptions) to a maximum of 65% of the total assets of H&R, based on the REIT's Financial Statements. H&R also presents this ratio at the REIT's proportionate share which is a non-GAAP ratio. Debt includes mortgages, debentures, unsecured term loans, lines of credit payable to lenders and liabilities classified as held for sale. Total assets have been adjusted to exclude the Bow and 100 Wynford, which the REIT legally disposed of in October 2021 and August 2022, respectively. These transactions did not meet the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of the Bow for $737.0 million in 2038 or earlier under certain circumstances and 100% of 100 Wynford for $159.7 million in 2036 or earlier under certain circumstances. As a result, the REIT continues to recognize these two income producing properties in its consolidated statement of financial position, and the fair values of the Bow and 100 Wynford will be adjusted over the remaining lives of their respective leases, bringing the value of each real estate asset to nil by their respective lease maturity.

Management uses this ratio to determine the REIT's flexibility to incur additional debt. Management believes this is useful for investors in order to assess the REIT's leverage and debt obligations. Refer to the *"Financial Highlights"* and *"Debt"* sections on pages 12 and 22, respectively, of this MD&A for debt to total assets per the REIT's Financial Statements and at the REIT's proportionate share.

(c) **FFO per Unit and AFFO per Unit**

FFO and AFFO per Unit are non-GAAP ratios calculated by dividing FFO and AFFO, respectively, by the weighted average number of Units and exchangeable units outstanding, basic or diluted, respectively, for the corresponding period. Refer to FFO and AFFO above for H&R's commentary on why these measures are useful for assessing operating performance.

(d) **Payout ratio as a % of FFO and payout ratio as a % of AFFO**

Payout ratio as a % of FFO and payout ratio as a % of AFFO are non-GAAP ratios, which assess the REIT's ability to pay distributions and are calculated by dividing cash distributions per Unit by FFO or AFFO per Unit for the respective period. H&R uses these ratios amongst other criteria to evaluate the REIT's ability to maintain current distribution levels or increase future distributions as well as to assess whether sufficient cash is being held back for operational expenditures. Furthermore, H&R uses the payout ratio as a % of AFFO to further assess whether sufficient cash is being held back for capital and tenant expenditures. Refer to the *"Financial Highlights"* and *"Funds From Operations and Adjusted Funds From Operations"* sections on on pages 12 and 35, respectively, of this MD&A for the REIT's payout ratio as a % of FFO and payout ratio as a % of AFFO.

(e) **NAV per Unit**

NAV per Unit is a non-GAAP ratio that management believes is a useful indicator of fair value of the net tangible assets of H&R. NAV per Unit is calculated by dividing the sum of: (i) unitholders' equity, (ii) value of exchangeable units, and (iii) deferred tax liability by the total number of Units and exchangeable units outstanding. The rationale for including exchangeable units and the deferred tax liability are as follows: (i) under IFRS, exchangeable units are classified as debt, however, these units are not required to be repaid and each holder of these units has the option to convert their exchangeable units into Units, and therefore H&R considers this to be equivalent to equity; and (ii) the deferred tax liability is an undiscounted liability that would be crystallized in the event that U.S. properties are sold. H&R plans to continue to take advantage of U.S. tax legislation in order to further defer taxes owing on sold properties. H&R's method of calculating NAV per Unit may differ from other issuers' calculations. See the *"Unitholders' Equity"* section on page 26 of this MD&A for a calculation of NAV per Unit and a reconciliation of NAV per Unit to unitholders' equity and unitholders equity per Unit.

RISKS AND UNCERTAINTIES

All real estate assets are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term mortgage financing whereas local conditions would relate to factors affecting specific properties such as an oversupply of space or a reduction in demand for real estate in a particular area. Management attempts to manage these risks through geographic, type of asset and tenant diversification in H&R's portfolio. The major risk factors including detailed descriptions are included in the *"Risks and Uncertainties"* section of H&R's annual MD&A for the year ended December 31, 2023 and in the *"Risks Factors"* section of H&R's 2023 Annual Information Form.

OUTSTANDING UNIT DATA

The beneficial interests in the REIT are represented by two classes of units: Units which are unlimited in number and Special Voting Units of which a maximum of 13,013,698 may be issued. Each Unit carries a single vote at any meeting of unitholders of the REIT. Each Special Voting Unit carries a single vote at any meeting of unitholders of the REIT. As at March 31, 2024 there were 261,879,724 Units issued and outstanding and 13,013,698 Special Voting Units outstanding. As at May 8, 2024, there were 261,879,724 Units issued and outstanding and 13,013,698 Special Voting Units outstanding.

In accordance with the unit option plan of the REIT ("Unit Option Plan"), no further options may be granted and upon expiry of any outstanding options, the pool will automatically decrease. Following expiry of any remaining outstanding options thereunder, the Unit Option Plan will terminate. As at March 31, 2024 and May 8, 2024, there were options to acquire up to 8,570,810 Units granted and outstanding and nil options remain available for grant.

As at March 31, 2024, the maximum number of incentive units authorized to be granted under H&R's Incentive Unit Plan was 5,000,000. The REIT has granted 1,994,370 incentive units which remain outstanding, 377,587 have been settled for Units and 2,628,043 incentive units remain available for grant. As at May 8, 2024, there were 1,961,121 incentive units outstanding.

As at March 31, 2024 and May 8, 2024, there were 17,974,186 exchangeable units outstanding of which 13,013,698 exchangeable units are accompanied by Special Voting Units.

ADDITIONAL INFORMATION

Additional information relating to H&R, including H&R's Annual Information Form, is available on SEDAR+ at www.sedarplus.com.

SUBSEQUENT EVENTS

(a) In February 2024, the REIT created Lantower Residential Real Estate Development Trust (No. 1) (the "REDT") which completed an initial public offering in April 2024 and raised U.S. $52.0 million of equity capital to acquire an interest in and fund the development of two residential development projects ("the Projects") in Florida that had been wholly-owned by a subsidiary of the REIT. The Projects are expected to contain an aggregate of 601 residential rental units. The REIT contributed the Projects to a joint venture with the REDT in exchange for a 29.1% ownership interest in the joint venture. The REIT will account for its ownership interest in the Projects as an equity accounted investment.

(b) In April 2024, the REIT sold one Canadian office property which was classified as held for sale as at December 31, 2023 for gross proceeds of $232.5 million and repaid the mortgage payable of $60.0 million, bearing interest at 4.9%.

(c) In April 2024, the REIT announced that it had entered into an agreement to sell its 50% ownership interest in a Canadian office property for $82.5 million to the current co-owner of the property. The sale is expected to close in May 2024 and is subject to customary closing conditions.

Unaudited condensed consolidated interim financial statements of

H&R REAL ESTATE INVESTMENT TRUST

For the three months ended March 31, 2024 and 2023

TABLE OF CONTENTS

H&R REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)

	Note	March 31 2024 (Unaudited)	December 31 2023
Assets			
Real estate assets:			
Investment properties	*3*	**$7,844,939**	$7,811,543
Properties under development	*3*	**1,145,306**	1,074,819
		8,990,245	8,886,362
Equity accounted investments	*4*	**1,194,266**	1,165,012
Assets classified as held for sale	*5*	**383,885**	293,150
Other assets	*6*	**231,373**	369,008
Cash and cash equivalents	*7*	**74,583**	64,111
		$10,874,352	$10,777,643
Liabilities and Unitholders' Equity			
Liabilities:			
Debt	*8*	**$3,773,411**	$3,686,833
Exchangeable units	*9*	**166,261**	177,944
Deferred revenue	*10*	**937,639**	947,671
Deferred tax liability	*19*	**439,764**	437,214
Accounts payable and accrued liabilities	*11*	**273,697**	335,606
		5,590,772	5,585,268
Unitholders' equity		**5,283,580**	5,192,375
Commitments and contingencies	*21*		
Subsequent events	*8(c), 12, 22*		
		$10,874,352	$10,777,643

See accompanying notes to the unaudited condensed consolidated interim financial statements.

H&R REAL ESTATE INVESTMENT TRUST

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
(In thousands of Canadian dollars)

		Three months ended March 31	
	Note	**2024**	2023
Rentals from investment properties	*15*	**$209,521**	$218,295
Property operating costs		**(115,334)**	(120,995)
Net operating income		**94,187**	97,300
Net income from equity accounted investments	*4*	**12,550**	9,896
Finance cost - operations	*16*	**(53,514)**	(54,971)
Finance income	*16*	**2,346**	1,757
Trust expenses		**(6,414)**	(8,091)
Fair value adjustment on financial instruments	*16*	**18,890**	(19,877)
Fair value adjustment on real estate assets	*3*	**(44,167)**	84,991
Gain (loss) on sale of real estate assets, net of related costs	*3*	**866**	(497)
Net income before income taxes		**24,744**	110,508
Income tax (expense) recovery	*19*	**7,048**	(15,706)
Net income		**31,792**	94,802
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to net income	*14*	**98,578**	(32,872)
Total comprehensive income attributable to unitholders		**$130,370**	$61,930

See accompanying notes to the unaudited condensed consolidated interim financial statements.

H&R REAL ESTATE INVESTMENT TRUST

Unaudited Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars)

UNITHOLDERS' EQUITY	***Note***	**Value of Units**	**Accumulated net income**	**Accumulated distributions**	**Accumulated other comprehensive income**	**Total**
Unitholders' equity, January 1, 2023		$5,124,265	$6,716,522	($6,811,331)	$457,831	$5,487,287
Proceeds from issuance of Units		1,708	—	—	—	1,708
Net income		—	94,802	—	—	94,802
Distributions to unitholders		—	—	(39,889)	—	(39,889)
Other comprehensive loss		—	—	—	(32,872)	(32,872)
Unitholders' equity, March 31, 2023		5,125,973	6,811,324	(6,851,220)	424,959	5,511,036
Proceeds from issuance of Units		(13)	—	—	—	(13)
Net loss		—	(33,112)	—	—	(33,112)
Distributions to unitholders		—	—	(144,483)	—	(144,483)
Units repurchased and cancelled	*13(c)*	(42,723)	—	—	—	(42,723)
Other comprehensive loss		—	—	—	(98,330)	(98,330)
Unitholders' equity, December 31, 2023		5,083,237	6,778,212	(6,995,703)	326,629	5,192,375
Proceeds from issuance of Units		**116**	**—**	**—**	**—**	**116**
Net income		**—**	**31,792**	**—**	**—**	**31,792**
Distributions to unitholders		**—**	**—**	**(39,281)**	**—**	**(39,281)**
Other comprehensive income	***14***	**—**	**—**	**—**	**98,578**	**98,578**
Unitholders' equity, March 31, 2024		**$5,083,353**	**$6,810,004**	**($7,034,984)**	**$425,207**	**$5,283,580**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

H&R REAL ESTATE INVESTMENT TRUST

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)

		Three months ended March 31	
	Note	**2024**	2023
Cash provided by (used in):			
Operations:			
Net income		**$31,792**	$94,802
Finance cost - operations	*16*	**53,514**	54,971
Interest paid		**(42,976)**	(52,512)
Items not affecting cash:			
Rental income accrued from the Bow and 100 Wynford	*10*	**(23,326)**	(23,122)
Net income from equity accounted investments	*4*	**(12,550)**	(9,896)
Rent amortization of tenant inducements	*15*	**1,130**	1,123
Fair value adjustment on real estate assets	*3*	**44,167**	(84,991)
IFRS Interpretations Committee Interpretation 21, Levies ("IFRIC 21") realty tax adjustment	*3*	**40,221**	42,181
(Gain) loss on sale of real estate assets, net of related costs	*3*	**(866)**	497
Fair value adjustment on financial instruments	*16*	**(18,890)**	19,877
Unit-based compensation expense	*13(a)*	**1,376**	2,453
Deferred income tax expense (recovery)	*19*	**(7,387)**	15,378
Change in other non-cash operating items	*17*	**12,034**	(23,987)
		78,239	36,774
Investing:			
Properties under development:			
Acquisitions	*3, 17*	**(104,468)**	—
Additions	*3, 17*	**(51,005)**	(41,083)
Investment properties:			
Net proceeds on disposition of real estate assets		**26,366**	5,249
Redevelopment	*3*	**(14,804)**	(2,384)
Capital expenditures	*3*	**(8,583)**	(9,232)
Leasing expenses and tenant inducements	*3*	**(215)**	(760)
Equity accounted investments, net		**8,828**	9,923
Mortgages receivable, net		**23,318**	(1,751)
Restricted cash	*6*	**78,888**	19,066
		(41,675)	(20,972)
Financing:			
Lines of credit	*8*	**150,343**	301,500
Mortgages payable:			
New mortgages payable	*8*	**—**	—
Principal repayments	*8*	**(9,768)**	(23,709)
Redemption of debentures payable	*8*	**(350,000)**	(250,000)
Proceeds from issuance of debentures payable, net	*8*	**248,800**	—
Distributions paid to unitholders	*17*	**(65,467)**	(52,060)
		(26,092)	(24,269)
Increase (decrease) in cash and cash equivalents		**10,472**	(8,467)
Cash and cash equivalents, beginning of year	*7*	**64,111**	76,887
Cash and cash equivalents, end of period	*7*	**$74,583**	$68,420

See note on supplemental cash flow information (note 17).

See accompanying notes to the unaudited condensed consolidated interim financial statements.

H&R Real Estate Investment Trust (the "REIT") is an unincorporated open-ended trust domiciled in Canada. The REIT owns, operates and develops residential and commercial properties across Canada and in the United States. The REIT's units ("Units") are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol HR.UN. The principal office and centre of administration of the REIT is located at 3625 Dufferin Street, Suite 500, Toronto, Ontario M3K 1N4. Unitholders of the REIT participate pro rata in distributions and, in the event of termination of the REIT, participate pro rata in the net assets remaining after satisfaction of all liabilities.

1. Basis of preparation:

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") have been omitted or condensed. The December 31, 2023 comparative financial information has been derived from the December 31, 2023 audited annual consolidated financial statements.

The unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT (the "Board") on May 14, 2024.

(b) Functional currency and presentation

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, except where otherwise stated, which is the REIT's functional currency. All financial information has been rounded to the nearest thousand Canadian dollar.

The REIT presents its unaudited condensed consolidated interim statements of financial position based on the liquidity method, where all assets and liabilities are presented in ascending order of liquidity.

(c) Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following items in the unaudited condensed consolidated interim statements of financial position which have been measured at fair value:

(i) Real estate assets;

(ii) Assets classified as held for sale;

(iii) Derivative instruments;

(iv) Liabilities for cash-settled unit-based compensation; and

(v) Exchangeable units.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

2. Material accounting policy information:

The accounting policies applied by the REIT in the unaudited condensed consolidated interim financial statements are the same as those applied in the consolidated audited financial statements as at and for the year ended December 31, 2023 with the exception of the amendments adopted in 2024 outlined in Note 2(a).

(a) Accounting standards effective in the year:

The REIT adopted *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1*, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period.

The adoption of the amendments did not have any material impact on the REIT's financial statements.

3. Real estate assets:

		March 31, 2024		December 31, 2023	
	Note	**Investment Properties**	**Properties Under Development**	Investment Properties	Properties Under Development
Opening balance, beginning of year		**$7,811,543**	**$1,074,819**	$8,799,317	$880,778
Acquisitions, including transaction costs		**—**	**150,117**	66	18,666
Dispositions		**(25,500)**	**—**	(128,357)	—
Operating capital:					
Capital expenditures		**8,583**	**—**	41,168	—
Leasing expenses and tenant inducements		**215**	**—**	4,747	—
Development capital:					
Redevelopment		**14,804**	**—**	7,203	—
Additions to properties under development (including capitalized interest)		**—**	**54,121**	—	170,246
Amortization of tenant inducements and straight-lining of contractual rents		**3,727**	**—**	6,985	—
Transfer of properties under development that have reached substantial completion to investment properties		**130,410**	**(130,410)**	—	—
Transfer of real estate assets to assets classified as held for sale	*5*	**(83,235)**	**(7,500)**	(293,150)	—
Transfer of investment properties to properties under development		**(20,000)**	**20,000**	—	—
Change in right-of-use assets[(1)]	*17*	**—**	**(28,550)**	—	(965)
Fair value adjustment on real estate assets		**(42,686)**	**(1,481)**	(508,104)	22,000
Change in foreign exchange		**87,299**	**14,190**	(118,332)	(15,906)
IFRIC 21 realty tax adjustment		**(40,221)**	**—**	—	—
Closing balance, end of period		**$7,844,939**	**$1,145,306**	$7,811,543	$1,074,819

(1) In January 2024, the REIT exercised an option to acquire a 100% freehold interest in two residential land parcels resulting in the derecognition of the right-of-use assets and release from the corresponding lease liabilities (note 11). Therefore, as at March 31, 2024, the right-of-use assets had a balance of U.S. nil (December 31, 2023 - U.S. $21,629) and the Canadian dollar equivalent of this amount is nil (December 31, 2023 - $28,550).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Asset acquisitions:

During the three months ended March 31, 2024, the REIT:

(a) did not acquire any investment properties (year ended December 31, 2023 - did not acquire any investment properties);

(b) acquired a 75% interest in one U.S. land parcel for future residential development (year ended December 31, 2023 - acquired a 50% interest in one U.S. land parcel for future residential development); and

(c) exercised an option to acquire a 100% freehold ownership interest in two residential land parcels. The REIT previously had a leasehold interest in both land parcels, see footnote 1 of table above (year ended December 31, 2023 - did not exercise any options to acquire ownership interest in land parcels).

The results of operations for acquisitions are included in the unaudited condensed consolidated interim financial statements from the date of acquisition. The following table summarizes the purchase price, inclusive of transaction costs, of the assets as at the respective dates of acquisition:

	March 31 2024	December 31 2023
Assets		
Properties under development	**$150,117**	$18,666

During the three months ended March 31, 2024, the REIT incurred additional costs of nil (year ended December 31, 2023 - $66) in respect of prior year acquisitions which are not included in the above table.

Asset dispositions:

During the three months ended March 31, 2024, the REIT sold two U.S. retail properties and a 50% interest in four Canadian industrial properties and recognized a gain on sale of real estate assets, net of related costs of $866.

During the three months ended March 31, 2023, the REIT sold a 50% interest in one Canadian office property and a 50% interest in one Canadian industrial property and recognized a loss on sale of real estate assets, net of related costs of $497.

Fair value disclosure:

The estimated fair values of the REIT's real estate assets are based on the following methods and significant assumptions:

(i) Discounted cash flow analyses which are based upon, among other things, future cash inflows in respect of rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting period, less future cash outflows in respect of such leases and capital expenditures for the property utilizing appropriate discount rates and terminal capitalization rates, generally over a minimum term of 10 years;

(ii) The direct capitalization method which calculates fair value by applying a capitalization rate to future cash flows based on stabilized net operating income; and

(iii) The comparable sales approach which estimates fair value based on the market value per unit of measure which is established by recent sales activity in the same or similar markets.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

During the three months ended March 31, 2024, certain properties were valued by professional external independent appraisers. When an external independent appraisal is obtained, the REIT's internal valuation team assesses the significant assumptions used in the appraisal and holds discussions with the external independent appraiser on the reasonableness of their assumptions. External independent appraisals received throughout the period represent 13.4% and 3.4% of the fair value of investment properties and properties under development, respectively, as at March 31, 2024 (year ended December 31, 2023 - 16.5% and 0.0%, respectively).

The REIT utilizes external industry sources to determine a range of capitalization, discount and terminal capitalization rates. To the extent that the ranges of these externally provided rates change from one reporting period to the next, the fair value of the investment properties is adjusted accordingly.

The following table highlights the significant assumptions used in determining the fair value of the REIT's investment properties:

	Weighted Average Capitalization Rates(1)			Weighted Average Discount Rates(2)			Weighted Average Terminal Capitalization Rates(1)(2)		
	Canada	United States	Total	Canada	United States	Total	Canada	United States	Total
March 31, 2024(3)	**5.93%**	**5.84%**	**5.87%**	**6.65%**	**7.55%**	**6.93%**	**6.37%**	**7.22%**	**6.71%**
December 31, 2023	5.79%	5.84%	5.82%	6.73%	7.55%	6.96%	6.48%	7.24%	6.74%

(1) Excludes the Bow and 100 Wynford as these properties were legally sold in October 2021 and August 2022, respectively (note 10). The discount rate is used to adjust the fair value of the investment properties over the remaining life of the respective leases.
(2) Excludes the REIT's residential segment as these properties are valued using the direct capitalization method.
(3) Excludes properties advancing through the rezoning and intensification process which have been valued in accordance with method (iii) above.

Fair value sensitivity:

The REIT's investment properties are classified as level 3 under the fair value hierarchy (note 20(b)), as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at March 31, 2024:

Capitalization Rate Sensitivity Increase (Decrease)	Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.75%)	5.12%	$ 7,761,786	$ 991,710	14.65%
(0.50%)	5.37%	$ 7,400,437	$ 630,361	9.31%
(0.25%)	5.62%	$ 7,071,236	$ 301,160	4.45%
March 31, 2024	**5.87%**	**$ 6,770,076** (1)	$ —	—
0.25%	6.12%	$ 6,493,521	$ (276,555)	(4.08)%
0.50%	6.37%	$ 6,238,673	$ (531,403)	(7.85)%
0.75%	6.62%	$ 6,003,073	$ (767,003)	(11.33)%

(1) Excludes the Bow and 100 Wynford as these properties were legally sold in October 2021 and August 2022, respectively (note 10).

4. Equity accounted investments:

The REIT has entered into a number of arrangements with other parties for the purpose of jointly developing, owning and operating investment properties. In order to determine how these arrangements should be accounted for, the REIT has assessed the structure of the arrangement, and whether the REIT has joint control over the operations of such properties. The REIT's arrangements fall into three categories: (i) joint operations, where the REIT has joint control over the operations and the REIT has rights to the assets and obligations for the liabilities of the properties; (ii) joint ventures, where the REIT has joint control over the operations, where each investment is structured as a separate vehicle and the REIT has rights to the net assets of the entities; and (iii) investments in associates, where the REIT has significant influence over the investment but does not have joint control over the operations. Joint operations are accounted for by including the REIT's proportionate share of the underlying assets, liabilities, revenue and expenses in its financial results. Joint ventures and investments in associates are accounted for using the equity method.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Description of Equity accounted investments	Location	Operating segment	Ownership interest March 31 2024	Ownership interest December 31 2023
Investments in joint ventures:[1]				
Hercules Project	United States	Residential	**31.7 %**	31.7 %
Shoreline	United States	Residential	**31.2 %**	31.2 %
Slate Drive	Canada	Industrial	**50.0 %**	50.0 %
One industrial property	United States	Industrial	**50.5 %**	50.5 %
Central Pointe	United States	Residential	**50.0 %**	50.0 %
Sunny Creek	United States	Residential	**33.3 %**	33.3 %
Investments in associates:[2]				
Jackson Park	United States	Residential	**50.0 %**	50.0 %
ECHO Realty LP ("ECHO")	United States	Retail	**33.2 %**	33.1 %

(1) Where the REIT has joint control over the operations, each investment is structured as a separate vehicle and the REIT has rights to the net assets of the entities.
(2) Where the REIT has significant influence over the investment but does not have joint control over the operations.

During the three months ended March 31, 2024, the REIT did not acquire or dispose of any equity accounted investments.

During the year ended December 31, 2023, the REIT acquired Sunny Creek, a joint venture that holds one residential property under development.

The following tables summarize the total amounts of the financial information of the equity accounted investments and reconciles the summarized financial information to the carrying amount of the REIT's interest in these arrangements. The REIT has determined that it is appropriate to aggregate each of the investments in joint ventures, as the individual investments are not individually material:

Equity accounted investments in:	March 31, 2024 ----Associates---- ECHO	Jackson Park	Joint Ventures[1]	Total	December 31, 2023 ----Associates---- ECHO	Jackson Park	Joint Ventures[1]	Total
Investment properties[2]	**$2,612,510**	**$2,328,750**	**$465,537**	**$5,406,797**	$2,590,479	$2,277,690	$458,000	$5,326,169
Properties under development	**103,392**	**—**	**264,169**	**367,561**	88,199	—	256,961	345,160
Other assets	**51,746**	**3,062**	**8,235**	**63,043**	53,344	3,810	6,845	63,999
Cash and cash equivalents	**18,509**	**11,888**	**42,627**	**73,024**	29,387	10,621	46,160	86,168
Debt	**(1,050,721)**	**(1,338,917)**	**(308,714)**	**(2,698,352)**	(1,033,828)	(1,308,673)	(301,917)	(2,644,418)
Accounts payable and accrued liabilities	**(52,379)**	**(14,627)**	**(9,610)**	**(76,616)**	(51,495)	(15,603)	(11,685)	(78,783)
Lease liabilities[2]	**(84,493)**	**—**	**—**	**(84,493)**	(94,437)	—	—	(94,437)
Non-controlling interest	**(60,323)**	**—**	**—**	**(60,323)**	(58,630)	—	—	(58,630)
Net assets	**1,538,241**	**990,156**	**462,244**	**2,990,641**	1,523,019	967,845	454,364	2,945,228
REIT's share of net assets	**$517,947**	**$495,431**	**$180,888**	**$1,194,266**	$504,418	$483,923	$176,671	$1,165,012

(1) See the above table "Description of equity accounted investments" for the composition of the REIT's investments in joint ventures.
(2) As at March 31, 2024, the total fair value of investment properties within equity accounted investments, net of the lease liabilities, was $5,322,304 (December 31, 2023 - $5,231,732).

ECHO reports its financial position to the REIT one month in arrears due to time constraints on its reporting. Therefore, the above amounts include ECHO's financial information as at February 29, 2024 and November 30, 2023, respectively.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Net income (loss) from equity accounted investments in:	Three months ended March 31, 2024				Three months ended March 31, 2023			
	----Associates----		Joint Ventures[1]		----Associates----		Joint Ventures[1]	
	ECHO	Jackson Park		Total	ECHO	Jackson Park		Total
Rentals from investment properties	$58,026	$32,250	$7,695	$97,971	$57,472	$31,468	$7,377	$96,317
Property operating costs	(23,478)	(8,583)	(3,487)	(35,548)	(23,636)	(8,951)	(3,816)	(36,403)
Net income (loss) from equity accounted investments	(213)	—	—	(213)	135	—	—	135
Finance income	325	—	14	339	146	—	23	169
Finance cost - operations	(14,819)	(11,592)	(5,139)	(31,550)	(13,813)	(11,470)	(4,785)	(30,068)
Trust expenses	(5,513)	—	(7)	(5,520)	(2,221)	—	(9)	(2,230)
Fair value adjustment on financial instruments	(385)	—	340	(45)	889	—	—	889
Fair value adjustment on real estate assets	8,267	1,256	(3,222)	6,301	11,048	2,116	(15,755)	(2,591)
Gain (loss) on sale of real estate assets, net of related costs	30	—	(1)	29	(5,876)	—	1,058	(4,818)
Income tax expense	(37)	(3)	(176)	(216)	(32)	(4)	—	(36)
Net income (loss)	22,203	13,328	(3,983)	31,548	24,112	13,159	(15,907)	21,364
Net income attributable to non-controlling interest	(1,098)	—	—	(1,098)	(506)	—	—	(506)
Net income (loss) attributable to owners	21,105	13,328	(3,983)	30,450	23,606	13,159	(15,907)	20,858
REIT's share of net income (loss) attributable to unitholders	$6,998	$6,664	($1,112)	$12,550	$7,963	$6,580	($4,647)	$9,896

[1] See the above table "Description of equity accounted investments" for the composition of the REIT's investments in joint ventures.

ECHO reports its financial results to the REIT one month in arrears due to time constraints on its reporting. Therefore, the above amounts include ECHO's financial information for December 1, 2023 to February 29, 2024 and December 1, 2022 to February 28, 2023, respectively.

5. Assets and liabilities classified as held for sale:

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. For this purpose, a sale is considered to be highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

Liabilities that are to be assumed by the buyer on disposition of the non-current asset are also classified as held for sale. Non-current assets and non-current liabilities held for sale are classified separately from other assets and other liabilities in the unaudited condensed consolidated interim statements of financial position. These amounts are not offset or presented as a single amount.

As at March 31, 2024, the REIT had one Canadian office property, a 50% interest in one Canadian office property, a 50% interest in one Canadian industrial property and one U.S. industrial property classified as held for sale. In addition the REIT had a 50% interest in one Canadian property under development classified as held for sale.

As at December 31, 2023, the REIT had one Canadian office property and a 50% interest in one Canadian industrial property classified as held for sale.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

The following table sets forth the items on the consolidated statements of financial position associated with real estate assets classified as held for sale:

	March 31 2024	December 31 2023
Assets		
Real estate assets:		
Investment properties	**$376,385**	$293,150
Property under development	**7,500**	—
	$383,885	$293,150

6. Other assets:

	Note	**March 31 2024**	December 31 2023
Mortgages receivable[1]		**$144,304**	$166,077
Prepaid expenses and sundry assets		**27,161**	70,482
Accounts receivable - net of provision for expected credit loss of $2,710 (2023 - $3,556)		**6,274**	5,905
Restricted cash[2]		**17,737**	96,625
Derivative instruments	*12*	**35,897**	29,919
		$231,373	$369,008

	March 31 2024	December 31 2023
Current	**$142,254**	$285,839
Non-current	**89,119**	83,169
	$231,373	$369,008

(1) Mortgages receivable as at March 31, 2024 include $144,304 classified as amortized cost (December 31, 2023 - $166,077). As at March 31, 2024, mortgages receivable bear interest at effective rates between 2.50% and 8.88% per annum (December 31, 2023 - between 2.50% and 14.32% per annum) with a weighted average effective rate of 5.25% per annum (December 31, 2023 - 7.52%), and mature between 2024 and 2029 (December 31, 2023 - between 2024 and 2029).

(2) Included in restricted cash as at March 31, 2024, was approximately $9,900 of proceeds from the sale of two U.S. properties, held in escrow for property exchanges under Section 1031 of the U.S. Internal Revenue Code (December 31, 2023 - $57,000 of proceeds from the sale of three U.S. properties and approximately $30,600 of proceeds from the disposal of a purchase option).

7. Cash and cash equivalents:

Cash and cash equivalents as at March 31, 2024 included cash on hand of $74,583 (December 31, 2023 - $64,111).

Included in cash and cash equivalents as at March 31, 2024 were U.S. dollar denominated amounts of U.S. $33,707 (December 31, 2023 - U.S. $34,657). The Canadian dollar equivalent of these amounts is $45,504 (December 31, 2023 - $45,747).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

8. Debt:

The REIT's debt consists of the following items:

	Note	**March 31 2024**	December 31 2023
Mortgages payable	*8(a)*	**$1,495,889**	$1,459,163
Debentures payable	*8(b)*	**1,197,049**	1,297,960
Unsecured term loans	*8(c)*	**625,000**	625,000
Lines of credit	*8(d)*	**455,473**	304,710
		$3,773,411	$3,686,833

The following is a summary of the changes in debt for the three months ended March 31, 2024:

	Note	Mortgages Payable	Debentures Payable	Unsecured Term Loans	Lines of Credit	Total
Opening balance, beginning of year		$1,459,163	$1,297,960	$625,000	$304,710	$3,686,833
Scheduled amortization payments		(9,768)	—	—	(103)	(9,871)
Debt repayments	8(b)	—	(350,000)	—	(4,654)	(354,654)
New debt, net of financing costs		24,300	248,800	—	—	273,100
Net advances		—	—	—	155,100	155,100
Effective interest rate accretion		424	289	—	—	713
Change in foreign exchange		21,770	—	—	420	22,190
Closing balance, end of period		$1,495,889	$1,197,049	$625,000	$455,473	$3,773,411

(a) Mortgages payable:

The mortgages payable are secured by 42 real estate assets with an aggregate fair value of $3,280,207 (December 31, 2023 - 43 real estate assets with an aggregate fair value of $3,275,426), bearing interest at fixed rates with a contractual weighted average rate of 4.06% (December 31, 2023 - 3.99%) per annum and maturing between 2024 and 2030 (December 31, 2023 - maturing between 2024 and 2030). Included in mortgages payable as at March 31, 2024 were U.S. dollar denominated mortgages of U.S. $740,368 (December 31, 2023 - U.S. $725,668). The Canadian dollar equivalent of these amounts is $999,497 (December 31, 2023 - $957,882).

Mortgages payable related to certain properties are held by separate legal entities, where the rent received from each property is first used to satisfy the related debt obligations with any balance then available to satisfy the cash flow requirements of the REIT.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Future principal mortgage payments are as follows:

	March 31 2024
Years ending December 31:	
2024[1]	**$243,124**
2025	**138,958**
2026	**42,887**
2027	**446,041**
2028	**497,160**
Thereafter	**133,885**
	1,502,055
Financing costs and mark-to-market adjustment arising on acquisitions	**(6,166)**
	$1,495,889

[1] For the balance of the year.

(b) Debentures payable:

The full terms of the debentures are contained in the trust indenture and applicable supplemental trust indentures; the following table summarizes the key terms:

					March 31 2024	December 31 2023
	Maturity	**Contractual interest rate**	**Effective interest rate**	**Principal amount**	**Carrying value**	Carrying value
Unsecured Senior Debentures:						
Series N Senior Debentures	January 30, 2024[1]	3.37%	3.45%	$—	**$—**	$349,965
Series Q Senior Debentures	June 16, 2025	4.07%	4.19%	400,000	**399,429**	399,311
Series R Senior Debentures	June 2, 2026	2.91%	3.00%	250,000	**249,497**	249,443
Series S Senior Debentures	February 19, 2027	2.63%	2.72%	300,000	**299,303**	299,241
Series T Senior Debentures	February 28, 2029	5.46%	5.56%	250,000	**248,820**	—
		3.76%	3.86%	$1,200,000	**$1,197,049**	$1,297,960

[1] In January 2024, the REIT repaid all of its outstanding Series N senior debentures upon maturity for a cash payment of $350,000.

The Series Q, R, S and T unsecured senior debentures (collectively, the “Senior Debentures”) pay interest semi-annually.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

(c) Unsecured term loans:

The REIT has the following unsecured term loans:

	Maturity Date	**March 31 2024**	December 31 2023
H&R REIT unsecured term loan #1[1]	January 6, 2026	**$250,000**	$250,000
H&R REIT unsecured term loan #2[2]	November 30, 2026[4]	**125,000**	125,000
H&R REIT unsecured term loan #3[3]	March 7, 2027[5]	**250,000**	250,000
		$625,000	$625,000

(1) The REIT entered into an interest rate swap to fix the interest rate at 4.16% per annum. The swap matures on January 6, 2026 (note 12).
(2) The REIT entered into an interest rate swap to fix the interest rate at 5.19% per annum. The swap matures on September 29, 2027 (note 12).
(3) The REIT entered into an interest rate swap to fix the interest rate at 3.42% per annum. The swap matures on May 7, 2030 (note 12).
(4) In April 2024, the $125,000 unsecured term loan agreement was amended to extend the maturity date from November 30, 2025 to November 30, 2026.
(5) In March 2024, the $250,000 unsecured term loan agreement was amended to extend the maturity date from March 7, 2025 to March 7, 2027.

(d) Lines of credit:

The REIT has the following lines of credit:

	Maturity Date	Total Facility	Amount Drawn	Outstanding Letters of Credit	Available Balance
Revolving unsecured operating lines of credit:					
H&R REIT revolving unsecured line of credit	September 20, 2026[2]	$150,000	($93,000)	$—	$57,000
H&R REIT revolving unsecured line of credit	December 14, 2027	750,000	(93,000)	(1,873)	655,127
H&R REIT revolving unsecured letter of credit facility		60,000	—	(41,420)	18,580
Sub-total		960,000	(186,000)	(43,293)	730,707
Non-revolving secured operating line of credit[1]:					
H&R REIT and CrestPSP non-revolving secured line of credit	March 14, 2026	269,473	(269,473)	—	—
March 31, 2024		**$1,229,473**	**($455,473)**	**($43,293)**	**$730,707**
December 31, 2023		$1,234,230	($304,710)	($43,018)	$886,502

(1) Secured by certain investment properties.
(2) In March 2024, the $150,000 revolving unsecured line of credit agreement was amended to extend the maturity date from September 20, 2024 to September 20, 2026.

The lines of credit can be drawn in either Canadian or U.S. dollars and bear interest at a rate approximating the prime rate of a Canadian chartered bank. Included in lines of credit as at March 31, 2024 are U.S. dollar denominated amounts of nil (December 31, 2023 - U.S. $14,000). The Canadian equivalent of these amounts are nil (December 31, 2023 - $18,480).

The Senior Debentures, unsecured term loans and lines of credit of H&R contain certain covenants and conditions applicable to the REIT, including without limitation, those requiring H&R to maintain, at all times, the following financial ratios: (i) ratio of debt to gross asset value of not greater than 0.65:1.0 measured at the end of each fiscal quarter; (ii) interest coverage of not less than 1.65:1.0 measured at the end of each fiscal quarter for such quarter and the prior three fiscal quarters; and (iii) unitholders' equity of not less than $1.0 billion for Senior Debentures and $2.0 billion for unsecured term loans and lines of credit. As at March 31, 2024, H&R was in compliance with each of the preceding financial ratios.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

9. Exchangeable units:

As at March 31, 2024, certain of the REIT's subsidiaries had in aggregate 17,974,186 (December 31, 2023 - 17,974,186) exchangeable units outstanding which are puttable instruments where, upon redemption, the REIT has a contractual obligation to issue Units. Holders of all exchangeable units are entitled to receive the economic equivalence of distributions on a per unit amount equal to a per Unit amount provided to holders of Units. These puttable instruments are classified as a liability under IFRS Accounting Standards and are measured at fair value through profit and loss. At the end of each reporting period, the fair value is determined by using the quoted price of Units on the TSX as the exchangeable units are exchangeable into Units at the option of the holder at any time. The quoted price as at March 31, 2024 was $9.25 (December 31, 2023 - $9.90) per Unit.

A summary of the carrying value of exchangeable units and the changes during the respective periods are as follows:

	March 31	December 31
	March 31, 2024	2023
Carrying value, beginning of year	**$177,944**	$217,668
Gain on fair value of exchangeable units	**(11,683)**	(39,724)
Carrying value, end of period	**$166,261**	$177,944

The REIT has entered into various exchange agreements that provide, among other things, the mechanics whereby exchangeable units may be exchanged for Units.

10. Deferred revenue:

(a) Bow deferred revenue

(i) Sale of the Bow property and 40% interest in the Ovintiv lease

In October 2021, the REIT sold its interest in the Bow property (the "Bow") including 40% of the future income stream derived from the Ovintiv lease ("Ovintiv lease") until the end of the lease term in May 2038 to an arm's length third party, Oak Street Real Estate Capital ("Oak Street"), for approximately $528,000. Subsequent to the maturity of the Ovintiv lease, Oak Street will receive all future lease revenue earned by the Bow. Although the REIT sold the Bow, the transaction did not meet the criteria of a transfer of control under IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") as the REIT has an option to repurchase 100% of the Bow for approximately $737,000 in 2038 or earlier under certain circumstances. As such, the REIT continues to recognize the income producing property whereby the fair value will be adjusted over the remaining life of the Ovintiv lease bringing the value of the real estate asset to nil by the lease maturity. The net proceeds received by the REIT on disposition were $496,063. These proceeds were recorded as deferred revenue (classified as a liability) and will be amortized over the remaining term of the Ovintiv lease (40% of the rental income remitted to Oak Street will consist of principal and interest).

(ii) Sale of 45% interest in the Ovintiv lease

In a separate transaction, in October 2021, the REIT sold 45% of its residual 60% interest in the future income stream derived from the Ovintiv lease to an arm's length third party that was financed by Deutsche Bank Credit Solutions and Direct Lending ("Deutsche Bank"). The REIT received a lump-sum cash payment of $418,000 as consideration. The net proceeds received of $408,314 were also recorded as deferred revenue (classified as a liability) and will be amortized over the remaining term of the Ovintiv lease as the 45% lease payments are made to Deutsche Bank and will consist of principal and interest.

As a result of the above transactions, the REIT is legally only entitled to 15% of the lease revenue from the Ovintiv lease until the end of the lease term in May 2038.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

(b) 100 Wynford deferred revenue

On August 31, 2022, the REIT sold its interest in 100 Wynford Drive, an office property in Toronto, ON ("100 Wynford") to an arm's length third party, Blue Owl Capital, formerly Oak Street ("Blue Owl") for approximately $120,800. Although the REIT sold 100 Wynford, the transaction did not meet the criteria of a transfer of control under IFRS 15 as the REIT has an option to repurchase 100% of 100 Wynford for approximately $159,700 in 2036 or earlier under certain circumstances. As such, the REIT continues to recognize the income producing property whereby the fair value will be adjusted over the remaining life of the Bell lease ("Bell lease") bringing the value of the real estate asset to nil by the lease maturity in April 2036. The net proceeds received by the REIT on disposition were $118,608. These proceeds were recorded as deferred revenue (classified as a liability) and will be amortized over the remaining term of the Bell lease and will consist of principal and interest.

The following is a summary of the Bow and 100 Wynford in the unaudited condensed consolidated interim statements of financial position:

	March 31, 2024			December 31
	The Bow	**100 Wynford**	**Total**	2023
Income producing property - fair value[(1)]	**$967,788**	**$107,075**	**$1,074,863**	$1,085,919
Deferred revenue - net of amortization of $85,346 (2023 - $75,314)	**830,716**	**106,923**	**937,639**	947,671

(1) The fair value of the income producing properties will be reduced as the remaining financial benefit from these income producing properties diminishes over the term of their respective leases.

The following is a summary of the financial results for the Bow and 100 Wynford included in the unaudited condensed consolidated interim statements of comprehensive income:

	Three months ended March 31			
	The Bow	**100 Wynford**	**2024**	2023
Rental income earned	**$3,836**	**$—**	**$3,836**	$3,762
Rental income earned - **non-cash**	**21,169**	**2,157**	**23,326**	23,122
Revenue reimbursement for property operating costs	**13,817**	**435**	**14,252**	12,921
Property operating costs	**(13,876)**	**(430)**	**(14,306)**	(13,014)
Net operating income	**24,946**	**2,162**	**27,108**	26,791
Accretion finance expense on deferred revenue - **non-cash**	**(13,024)**	**(270)**	**(13,294)**	(13,758)
Fair value adjustment on real estate assets - **non-cash**	**(9,178)**	**(1,900)**	**(11,078)**	(10,595)
Net income (loss)	**$2,744**	**($8)**	**$2,736**	$2,438

(In thousands of Canadian dollars, except Unit and per Unit amounts)

11. Accounts payable and accrued liabilities:

	Note	March 31 2024	December 31 2023
Current:			
Other accounts payable and accrued liabilities		**$210,782**	$205,849
Distributions payable to unitholders		**13,093**	39,279
Distributions payable to exchangeable unitholders		**899**	2,696
Debt interest payable		**12,771**	12,515
Prepaid rent		**14,012**	21,492
Lease liabilities[1]	17	**—**	28,550
Unit-based compensation payable:			
Options	*13(a)*	**1,320**	1,244
Incentive units	*13(a)*	**5,448**	6,095
Non-current:			
Derivative instruments	*12*	**—**	1,229
Security deposits		**10,961**	10,847
Unit-based compensation payable:			
Incentive units	*13(a)*	**4,411**	5,810
		$273,697	$335,606

(1) In January 2024, the REIT exercised an option to acquire a 100% freehold interest in two residential land parcels resulting in the derecognition of the right-of-use assets and release from the corresponding lease liabilities (note 3).

12. Derivative instruments:

		Fair value asset (liability)*		Net unrealized gain (loss) on derivative instruments	
		March 31	December 31	Three months ended March 31	
	Maturity	**2024**	2023	**2024**	2023
Foreign exchange hedge[1]	April 10, 2024	**$167**	$1,733	**($1,566)**	$1,004
Term loan interest rate swap[2]	January 6, 2026	**8,870**	8,171	**699**	(2,148)
Debt interest rate swap[3]	September 29, 2027	**2,280**	(1,229)	**3,509**	(3,279)
Term loan interest rate swap[4]	May 7, 2030	**24,580**	20,015	**4,565**	(6,647)
		$35,897	$28,690	**$7,207**	($11,070)

The REIT entered into swaps as follows:

(1) To fix the foreign exchange rate at $1.38 on U.S. $10,000, monthly. The hedge terminated in April 2024.
(2) To fix the interest rate at 4.16% per annum for the $250,000 term loan.
(3) To fix the interest rate at 5.19% per annum on $250,000 of variable rate debt, which includes a $125,000 unsecured term loan.
(4) To fix the interest rate at 3.42% per annum for the $250,000 term loan.

* Derivative instruments in asset and liability positions are not presented on a net basis. Derivative instruments in an asset position are recorded in other assets (note 6) and derivative instruments in a liability position are recorded in accounts payable and accrued liabilities (note 11).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

13. Unitholders' equity:

A summary of the issued and outstanding number of Units and the changes during the respective periods are as follows:

	March 31 2024	December 31 2023
Balance, beginning of year	**261,867,587**	265,884,526
Issuance of Units:		
Incentive units settled in Units	**12,137**	130,261
Units repurchased and cancelled	**—**	(4,147,200)
Balance, end of period	**261,879,724**	261,867,587

The weighted average number of basic Units for the three months ended March 31, 2024 was 261,872,522 (March 31, 2023 - 265,917,815).

(a) Unit-based compensation:

In order to provide long-term compensation to the REIT's trustees, officers, employees and consultants, the REIT grants incentive units, which are subject to certain restrictions. In addition, the REIT previously granted options, which are subject to certain restrictions.

(i) Unit option plan:

In accordance with the unit option plan of the REIT ("Unit Option Plan"), no further options may be granted and upon expiry of any outstanding options, the pool will automatically decrease. Following the expiry of any remaining outstanding options thereunder, the Unit Option Plan will terminate.

As at March 31, 2024, there were options to acquire up to 8,570,810 (December 31, 2023 - 8,805,638) Units granted and outstanding and nil (December 31, 2023 - nil) options remain available for grant. The exercise price of each option approximates the quoted price of the Units on the date of grant. The options expire ten years after the date of the grant.

A summary of the status of the Unit Option Plan and the changes during the respective periods are as follows:

	March 31, 2024		December 31, 2023	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding and vested, beginning of year	**8,805,638**	**$14.24**	10,313,443	$14.62
Expired	**(234,828)**	**16.19**	(1,507,805)	16.84
Outstanding and vested, end of period	**8,570,810**	**$14.19**	8,805,638	$14.24

The outstanding and vested options as at March 31, 2024 are exercisable at varying prices ranging from $13.86 to $16.02 (December 31, 2023 - $13.86 to $16.19) and have a weighted average remaining life of 1.7 years (December 31, 2023 - 1.9 years).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

(ii) Incentive unit plan:

As at March 31, 2024, a maximum of 5,000,000 (December 31, 2023 - 5,000,000) incentive units exchangeable into Units were authorized to be issued. The REIT has granted 1,994,370 (December 31, 2023 - 1,672,059) incentive units which remain outstanding, 377,587 (December 31, 2023 - 365,450) incentive units have been settled for Units and 2,628,043 (December 31, 2023 - 2,962,491) incentive units remain available for grant.

Incentive units, comprised of restricted units, deferred units and performance units, are recognized based on the grant date fair value and re-measured at each reporting date. The grant agreements provide that the awards will be satisfied in cash, unless the holder elects to have them satisfied in Units issued from treasury, with the result that the awards are classified as cash-settled unit-based payments and presented as liabilities. The incentive units may, if specified at the time of grant, accrue cash distributions during the vesting period and accrued distributions will be paid when the incentive units vest.

The REIT grants restricted units under the incentive unit plan. As at March 31, 2024, 100% of the restricted units outstanding vest on the third anniversary of their respective grant dates and are subject to forfeiture until the recipients of the awards have held office with, or provided services to, the REIT for a specified period of time. The restricted units are, subject to the holder's election, cash settled upon vesting.

Deferred units vest immediately upon their grant date and will be redeemed and settled after a trustee of the REIT ceases to be a member of the Board. During the year ended December 31, 2023, the REIT and certain of its trustees entered into an amending agreement to amend the terms of their respective outstanding restricted units such that the outstanding restricted units were converted into deferred units.

The REIT grants performance units under the incentive unit plan with a three-year performance period for certain senior executives. The performance units are and will be subject to both internal and external measures consisting of both absolute and relative performance over a three-year period and, subject to the holder's election, cash settled upon vesting. In February 2024, the grant of performance units awarded in 2021 vested at 73% of target, in March 2023, the grant of performance units awarded in 2020 vested at 54% of target and in February 2022, the grant of performance units awarded in 2019 vested at 0% of target.

A summary of the status of the incentive unit plan and the changes during the respective periods are as follows:

	March 31 2024	December 31 2023
	Incentive units	Incentive units
Outstanding, beginning of year	**1,672,059**	1,932,770
Granted	**740,873**	684,743
Expired	**(36,706)**	(41,882)
Settled	**(381,856)**	(903,572)
Outstanding, end of period	**1,994,370**	1,672,059

The fair values of the options and incentive units, included in accounts payable and accrued liabilities, are as follows:

	March 31 2024	December 31 2023
Options	**$1,320**	$1,244
Incentive units	**9,859**	11,905
	$11,179	$13,149

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Unit-based compensation expense included in trust expenses is as follows:

	Three months ended March 31	
	2024	2023
Options	**($76)**	($175)
Incentive units	**(1,300)**	(2,278)
	($1,376)	($2,453)

(b) Distributions:

For the three months ended March 31, 2024, the REIT declared distributions per Unit of $0.15 (March 31, 2023- $0.15).

(c) Normal course issuer bid:

On February 9, 2023, the REIT received approval from the TSX for the renewal of its normal course issuer bid ("NCIB") which allowed the REIT to purchase for cancellation up to a maximum of 26,028,249 Units on the open market until February 15, 2024.

During the three months ended March 31, 2024, the REIT did not purchase any Units for cancellation.

During the year ended December 31, 2023, the REIT purchased and cancelled 4,147,200 Units at a weighted average price of $10.30 per Unit, for a total cost of $42,723.

14. Accumulated other comprehensive income:

Items that are or may be reclassified subsequently to net income:

	March 31, 2024			December 31 2023
	Cash flow hedges	**Foreign operations**	**Total**	Total
Opening balance, beginning of year	**($106)**	**$326,735**	**$326,629**	$457,831
Transfer of realized loss on cash flow hedges to net income	**5**	**—**	**5**	28
Unrealized gain (loss) on translation of U.S. denominated foreign operations	**—**	**98,993**	**98,993**	(131,230)
Net loss on hedges of net investments in foreign operations	**—**	**(420)**	**(420)**	—
	5	**98,573**	**98,578**	(131,202)
Closing balance, end of period	**($101)**	**$425,308**	**$425,207**	$326,629

(In thousands of Canadian dollars, except Unit and per Unit amounts)

15. Rentals from investment properties:

	Three months ended March 31	
	2024	2023
Rental income	**$168,651**	$174,828
Revenue from services	**37,171**	40,966
Straight-lining of contractual rent	**4,829**	3,624
Rent amortization of tenant inducements	**(1,130)**	(1,123)
	$209,521	$218,295

16. Finance costs:

		Three months ended March 31	
	Note	**2024**	2023
Finance cost - operations			
Contractual interest on mortgages payable		**($14,533)**	($15,770)
Contractual interest on debentures payable		**(9,963)**	(11,200)
Contractual interest on unsecured term loans		**(6,254)**	(7,418)
Bank interest and charges on lines of credit		**(8,746)**	(4,005)
Effective interest rate accretion		**(1,144)**	(1,036)
Accretion finance expense on deferred revenue	*10*	**(13,294)**	(13,758)
Exchangeable unit distributions		**(2,696)**	(2,696)
		(56,630)	(55,883)
Capitalized interest[1]		**3,116**	912
		(53,514)	(54,971)
Finance income		**2,346**	1,757
Fair value adjustment on financial instruments		**18,890**	(19,877)
		($32,278)	($73,091)

[1] The weighted average rate of borrowings for the capitalized interest was 6.64% for the three months ended March 31, 2024 (March 31, 2023 - 5.24%).

17. Supplemental cash flow information:

The following is a summary of changes in other non-cash operating items:

	Three months ended March 31	
	2024	2023
Accrued rents receivable	**($4,857)**	($3,649)
Prepaid expenses and sundry assets	**20,733**	(18,670)
Accounts receivable	**(369)**	(640)
Accounts payable and accrued liabilities	**(3,473)**	(1,028)
	$12,034	($23,987)

(In thousands of Canadian dollars, except Unit and per Unit amounts)

The following amounts have been excluded from operating, investing and financing activities in the unaudited condensed consolidated interim statements of cash flows:

		Three months ended March 31	
	Note	**2024**	2023
Non-cash items:			
Non-cash adjustment to proceeds from issuance of Units		**$116**	$1,708
Non-cash assumption of mortgages payable on acquisition of a property under development		**24,300**	—
Non-cash assumption of mortgages payable on disposition of investment property		**—**	(6,323)
Mortgages receivable from the sale of investment properties		**—**	7,000
Other items:			
Change in right-of-use assets and lease liabilities	*3*	**28,550**	251
Change in distributions payable to unitholders	*11*	**26,186**	12,171
Change in debt interest payable included in finance cost - operations	*11*	**(256)**	3,048
Change in distributions payable to exchangeable unit holders included in finance cost - operations	*11*	**1,797**	823
Change in pre-acquisition costs applied to the acquisition of a property under development		**21,349**	—
Capitalized interest on properties under development	*16*	**(3,116)**	(912)

18. Segment disclosures:

The REIT has four reportable operating segments (Residential, Industrial, Office and Retail), in two geographical locations (Canada and the United States). The operating segments derive their revenue primarily from rental income from leases. The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, determined to be the Chief Executive Officer ("CEO") of the REIT. The CEO measures and evaluates the performance of the REIT based on net operating income on a proportionately consolidated basis for the REIT's equity accounted investments. The accounting policies of the segments presented here are the same as those applied in the consolidated audited financial statements as at and for the year ended December 31, 2023.

(a) Operating segments:

Real estate assets by reportable segment as at March 31, 2024 and December 31, 2023 were as follows:

March 31, 2024	**Residential**	**Industrial**	**Office**	**Retail**	**Total**
Number of investment properties	**24**	**68**	**22**	**270**	**384**
Real estate assets:					
Investment properties	**$3,723,558**	**$1,577,665**	**$3,539,054**	**$1,573,974**	**$10,414,251**
Properties under development	**920,147**	**335,478**	**7,500**	**34,282**	**1,297,407**
	4,643,705	**1,913,143**	**3,546,554**	**1,608,256**	**11,711,658**
Less: assets classified as held for sale	**—**	**(68,885)**	**(315,000)**	**—**	**(383,885)**
Less: REIT's proportionate share of real estate assets relating to equity accounted investments	**(1,388,275)**	**(40,547)**	**—**	**(908,706)**	**(2,337,528)**
	$3,255,430	**$1,803,711**	**$3,231,554**	**$699,550**	**$8,990,245**

(In thousands of Canadian dollars, except Unit and per Unit amounts)

December 31, 2023	Residential	Industrial	Office	Retail	Total
Number of investment properties	24	70	23	272	389
Real estate assets:					
Investment properties	$3,668,856	$1,473,037	$3,549,406	$1,561,406	$10,252,705
Properties under development	740,114	430,098	11,030	29,212	1,210,454
	4,408,970	1,903,135	3,560,436	1,590,618	11,463,159
Less: assets classified as held for sale	—	(60,650)	(232,500)	—	(293,150)
Less: REIT's proportionate share of real estate assets relating to equity accounted investments	(1,356,620)	(39,833)	—	(887,194)	(2,283,647)
	$3,052,350	$1,802,652	$3,327,936	$703,424	$8,886,362

Net operating income by reportable segment for the three months ended March 31, 2024 and March 31, 2023 was as follows:

	Residential	**Industrial**	**Office**	**Retail**	**Sub-total**	**Less: Equity Accounted Investments**	**Three months ended March 31, 2024**
Rentals from investment properties	**$70,984**	**$25,244**	**$115,545**	**$35,723**	**$247,496**	**($37,975)**	**$209,521**
Property operating costs	**(55,573)**	**(6,030)**	**(50,384)**	**(16,526)**	**(128,513)**	**13,179**	**(115,334)**
Net operating income	**$15,411**	**$19,214**	**$65,161**	**$19,197**	**$118,983**	**($24,796)**	**$94,187**

	Residential	Industrial	Office	Retail	Sub-total	Less: Equity Accounted Investments	Three months ended March 31, 2023
Rentals from investment properties	$70,689	$23,702	$125,809	$35,689	$255,889	($37,594)	$218,295
Property operating costs	(56,507)	(5,922)	(54,624)	(17,597)	(134,650)	13,655	(120,995)
Net operating income	$14,182	$17,780	$71,185	$18,092	$121,239	($23,939)	$97,300

(b) Geographical locations:

The REIT operates in Canada and the United States.

Real estate assets are attributed to countries based on the location of the properties.

	March 31 2024	December 31 2023
Real estate assets:		
Canada	**$4,680,248**	$4,704,626
United States	**7,031,410**	6,758,533
	11,711,658	11,463,159
Less: Assets classified as held for sale	**(383,885)**	(293,150)
Less: REIT's proportionate share of real estate assets relating to equity accounted investments	**(2,337,528)**	(2,283,647)
	$8,990,245	$8,886,362

(In thousands of Canadian dollars, except Unit and per Unit amounts)

	Three months ended March 31 **2024**	2023
Rentals from investment properties:		
Canada	**$117,754**	$126,506
United States	**129,742**	129,383
	247,496	255,889
Less: REIT's proportionate share of rentals relating to equity accounted investments	**(37,975)**	(37,594)
	$209,521	$218,295

19. Income tax (expense) recovery:

	Three months ended March 31 **2024**	2023
Income tax computed at the Canadian statutory rate of nil applicable to the REIT for 2024 and 2023	**$—**	$—
Current U.S. income tax expense	**(339)**	(328)
Deferred income tax (expense) recovery applicable to H&R REIT (U.S.) Holdings Inc.	**7,387**	(15,378)
Income tax (expense) recovery in the determination of net income	**$7,048**	($15,706)

The *Income Tax Act* (Canada) ("Tax Act") contains provisions (the "SIFT Rules") affecting the tax treatment of "specified investment flow-through" ("SIFT") trusts. A SIFT includes a publicly-traded trust. Under the SIFT Rules, distributions of certain income by a SIFT are not deductible in computing the SIFT's taxable income, and a SIFT is subject to tax on such income at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. The SIFT Rules do not apply to a publicly-traded trust that qualifies as a real estate investment trust under the Tax Act, such as the REIT.

The REIT has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 24.0% (December 31, 2023 - 24.0%). The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	March 31 2024	December 31 2023
Deferred tax assets:		
Net operating losses	**$98,537**	$93,622
Accounts payable and accrued liabilities	**19**	2,732
	98,556	96,354
Deferred tax liabilities:		
Investment properties	**363,106**	362,581
Equity accounted investments	**175,015**	170,263
Other assets	**199**	724
	538,320	533,568
Deferred tax liability	**($439,764)**	($437,214)

(In thousands of Canadian dollars, except Unit and per Unit amounts)

20. Fair value measurement:

(a) Financial assets and liabilities carried at amortized cost:

The fair values of the REIT's accounts receivable, cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of certain mortgages receivable, mortgages payable, senior debentures, unsecured term loans and lines of credit have been determined by discounting the cash flows of these financial obligations using market rates for debt of similar terms and credit risks.

(b) Fair value of assets and liabilities:

Assets and liabilities measured at fair value in the unaudited condensed consolidated interim statements of financial position, or disclosed in the notes to the condensed consolidated financial statements, are categorized using a fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2024	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying value**
Assets measured at fair value:						
Investment properties	*3*	**$—**	**$—**	**$7,844,939**	**$7,844,939**	**$7,844,939**
Properties under development	*3*	**—**	**—**	**1,145,306**	**1,145,306**	**1,145,306**
Assets classified as held for sale	*5*	**—**	**—**	**383,885**	**383,885**	**383,885**
Derivative instruments	*6*	**—**	**35,897**	**—**	**35,897**	**35,897**
Assets for which fair values are disclosed:						
Mortgages receivable	*6*	**—**	**—**	**140,517**	**140,517**	**144,304**
		—	**35,897**	**9,514,647**	**9,550,544**	**9,554,331**
Liabilities measured at fair value:						
Exchangeable units	*9*	**(166,261)**	**—**	**—**	**(166,261)**	**(166,261)**
Liabilities for which fair values are disclosed:						
Mortgages payable	*8(a)*	**—**	**(1,417,000)**	**—**	**(1,417,000)**	**(1,495,889)**
Debentures payable	*8(b)*	**—**	**(1,167,619)**	**—**	**(1,167,619)**	**(1,197,049)**
Unsecured term loans	*8(c)*	**—**	**(546,146)**	**—**	**(546,146)**	**(625,000)**
Lines of credit	*8(d)*	**—**	**(458,920)**	**—**	**(458,920)**	**(455,473)**
		(166,261)	**(3,589,685)**	**—**	**(3,755,946)**	**(3,939,672)**
		($166,261)	**($3,553,788)**	**$9,514,647**	**$5,794,598**	**$5,614,659**

(In thousands of Canadian dollars, except Unit and per Unit amounts)

December 31, 2023	*Note*	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets measured at fair value:						
Investment properties	*3*	$—	$—	$7,811,543	$7,811,543	$7,811,543
Properties under development	*3*	—	—	1,074,819	1,074,819	1,074,819
Assets classified as held for sale	*5*	—	—	293,150	293,150	293,150
Derivative instruments	*6*	—	29,919	—	29,919	29,919
Assets for which fair values are disclosed:						
Mortgages receivable	*6*	—	—	162,654	162,654	166,077
		—	29,919	9,342,166	9,372,085	9,375,508
Liabilities measured at fair value:						
Exchangeable units	*9*	(177,944)	—	—	(177,944)	(177,944)
Derivative instruments	*11*	—	(1,229)	—	(1,229)	(1,229)
Liabilities for which fair values are disclosed:						
Mortgages payable	*8(a)*	—	(1,382,206)	—	(1,382,206)	(1,459,163)
Debentures payable	*8(b)*	—	(1,263,671)	—	(1,263,671)	(1,297,960)
Unsecured term loans	*8(c)*	—	(596,967)	—	(596,967)	(625,000)
Lines of credit	*8(d)*	—	(306,793)	—	(306,793)	(304,710)
		(177,944)	(3,550,866)	—	(3,728,810)	(3,866,006)
		($177,944)	($3,520,947)	$9,342,166	$5,643,275	$5,509,502

21. Commitments and contingencies:

(a) In the normal course of operations, the REIT has issued letters of credit in connection with developments, financings, operations and acquisitions. As at March 31, 2024, the REIT has outstanding letters of credit totalling $43,293 (December 31, 2023 - $43,018), including $20,000 (December 31, 2023 - $20,000) which has been pledged as security for certain mortgages payable. The letters of credit may be secured by certain investment properties.

(b) The REIT has previously provided guarantees on behalf of third parties, including co-owners. As at March 31, 2024, the REIT issued guarantees amounting to $6,749, which expires in 2026 (December 31, 2023 - $6,749, which expires in 2026), relating to the co-owner's share of mortgage liability.

On December 31, 2021, the REIT completed a spin off, on a tax-free basis, of 27 properties including all of the REIT's enclosed shopping centres (the "Primaris Spin-Off") to a new publicly-traded REIT ("Primaris REIT"). The REIT continues to guarantee certain debt in connection with the Primaris Spin-Off, and will remain liable until such debts are extinguished or the lenders agree to release the REIT's guarantees. As at March 31, 2024, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was $170,074, which expire between 2024 and 2030 (December 31, 2023 - $208,803, which expire between 2024 and 2030).

In addition, the REIT continues to provide guarantees on behalf of the co-owners of certain of Primaris REIT's properties. As at March 31, 2024, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was $88,811, which expire between 2024 and 2027 (December 31, 2023 - $89,322, which expire between 2024 and 2027). There have been no defaults by the primary obligor for debts on which the REIT has provided its guarantees, and as a result, no contingent loss on these guarantees has been recognized in the unaudited condensed consolidated interim financial statements.

Credit risks arise in the event that these parties default on repayment of their debt since they are guaranteed by the REIT. These credit risks are mitigated as the REIT has recourse under these guarantees in the event of a default by the borrowers, in which case the REIT's claim would be against the underlying real estate investments.

(c) The REIT is obligated, under certain contract terms, to construct and develop investment properties.

(d) The REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the unaudited condensed consolidated interim financial statements.

22. Subsequent events:

(a) In February 2024, the REIT created Lantower Residential Real Estate Development Trust (No. 1) (the “REDT”) which completed an initial public offering in April 2024 and raised U.S. $52,000 of equity capital to acquire an interest in and fund the development of two residential development projects (“the Projects”) in Florida that had been wholly-owned by a subsidiary of the REIT. The Projects are expected to contain an aggregate of 601 residential rental units. The REIT contributed the Projects to a joint venture with the REDT in exchange for a 29.1% ownership interest in the joint venture. The REIT will account for its ownership interest in the Projects as an equity accounted investment.

(b) In April 2024, the REIT sold one Canadian office property which was classified as held for sale as at December 31, 2023 for gross proceeds of $232,500 and repaid the mortgage payable of $60,000, bearing interest at 4.9%.

(c) In April 2024, the REIT announced that it had entered into an agreement to sell its 50% ownership interest in a Canadian office property for $82,500 to the current co-owner of the property. The sale is expected to close in May 2024 and is subject to customary closing conditions.

BOARD OF TRUSTEES

STRONG AND SKILLFUL BOARD WITH UNITHOLDER ALIGNMENT

BOARD MEMBERS

Majority Independent Board | 10-Year Term Limit | 40% Women | 9% Ownership[4]

(1) Investment Committee
(2) Audit Committee
(3) Compensation, Environmental, Social & Governance and Nominating Committee
(4) Includes officers and the families of trustees and officers

CORPORATE INFORMATION

TAXABILITY OF DISTRIBUTIONS

The REIT's cash distributions amounted to $0.70 per Unit during 2023 (including a $0.10 per Unit special cash distribution to unitholders of record on December 29, 2023). The REIT also made a special distribution to unitholders of record on December 29, 2023 of $0.52 per Unit payable in additional Units, which were immediately consolidated such that there was no change in the number of outstanding Units. The amount of the special distribution payable in Units ($0.52 per Unit) will increase the adjusted cost basis of unitholders' consolidated Units.

PLAN ELIGIBILITY

RRSP, RRIF, DPSP, RESP, RDSP, TFSA, FHSA

STOCK EXCHANGE LISTING

Units of H&R are listed on the Toronto Stock Exchange under the trading symbol HR.UN.

REGISTRAR AND TRANSFER AGENT

TSX Trust Company, P.O. Box 4229, Station A, Toronto, Ontario, Canada, M5W 0G1. Telephone: 1-800-387-0825 (or for callers outside North America 416-682-3860), Fax: 1-888-488-1416, E-mail: shareholderinquiries@tmx.com, Website: www.txstrust.com.

CONTACT INFORMATION

Investors, investment analysts and others seeking financial information should go to our website at www.hr-reit.com, or e-mail info@hr-reit.com, or call and ask for Larry Froom, Chief Financial Officer, or write to H&R Real Estate Investment Trust, 3625 Dufferin Street, Suite 500, Toronto, Ontario, Canada, M3K 1N4.

HR.UN - TSX
Ticker

H&R Real Estate Investment Trust

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