



# H&R REIT

2025 ANNUAL REPORT



## ABOUT THE COVER

Lantower West Love is a premier residential community in Dallas, TX, designed for modern living. This newly built, five-storey property features 413 thoughtfully designed suites, upscale amenities, and seamless connectivity to the city. Residents enjoy a resort-style pool, co-working spaces, micro-offices, and a double-volume fitness center with a spin room, yoga studio, and on-demand classes—all within a National Green Building Standard Silver-certified community. Unique perks like a Grab & Go Market and a self-serve table tap system with cold brew coffee add an elevated touch to daily life. Ideally located near Dallas Love Field Airport and major highways, Lantower West Love is part of the vibrant West Love district, offering easy access to retail, dining, and entertainment. As Dallas-Fort Worth continues to grow, Lantower West Love delivers a dynamic living experience in one of the city's most exciting locations.



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

**For the year ended December 31, 2025**

Dated: February 12, 2026

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## 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 year ended December 31, 2025 includes material information up to February 12, 2026. Financial data for the years ended December 31, 2025 and 2024 have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A should be read in conjunction with the audited consolidated financial statements of the REIT and related notes for the year ended December 31, 2025 ("REIT's Financial Statements"). 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 IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as the REIT has an option to repurchase 100% of both of these properties for a fixed price 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.

In November 2025, H&R announced it had entered into a binding agreement with a third party to dispose of its investment in Echo Realty LP ("ECHO") in January 2026 and determined that the investment met the criteria for classification as an asset held for sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5"). The net investment in ECHO has been reclassified to assets held for sale in the consolidated statement of financial position within the REIT's Financial Statements, and the equity method is no longer applied. As a result, ECHO's financial information is excluded in the REIT's Statement of Financial Position (page 18 of this MD&A) reconciling the REIT's share of net assets in equity accounted investments as well as any financial metrics involving real estate assets and debt as at December 31, 2025 unless otherwise stated, but continues to be included in the REIT's share of net income (loss) from equity accounted investments (page 34 of this MD&A). Three and twelve months of income (loss) are included in these tables, as the classification as held for sale was made effective December 2025. Refer to the "Announcement of \$1.5 Billion of Retail and Office Property Sales" 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", "Announcement of \$1.5 Billion of Retail and Office Property Sales", "Other Liabilities", "Liquidity and Capital Resources", "Environmental, Social and Governance", "Properties Under Development", "Equity Accounted Investments", and "Off-Balance Sheet Items" 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 heading "Summary of Significant 2025 Activity" including with respect to H&R's future plans and targets, the potential for additional asset sales, value maximization opportunities for the REIT, the expected timing of, and gross proceeds from, properties under contract to be sold, 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, leasing of the REIT's investment properties and the termination and expiry of existing leases, anticipated lease vacancies and new lease commencements, H&R's expectation with respect to the future development, sustainability, 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, including the REDT Projects, the timing of approvals, construction and completion, expected construction costs and funding thereof, anticipated number of units and square footage, H&R's expectations and intentions with respect to zoning and rezoning applications, expected credit losses, 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 debt markets continuing to provide access to capital at a reasonable cost; 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; tariffs and other international trade disputes; property valuations; credit risk and tenant concentration; lease rollover risk; interest rate and other debt-related risks; inflation risk; development risks; residential rental risk; capital expenditure risk; currency risk; liquidity risk; cyber security risk and breach of privacy or information security systems; artificial intelligence and related technologies; expanding social media vehicles; financing credit risk; ESG and climate change risk; public health crises; co-ownership interest in properties; business continuity; general uninsured losses; joint arrangement and investment risks; talent management 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; litigation and regulatory risk; Unit prices; availability of cash for distributions; credit ratings; ability to access capital; dilution; unitholder liability; redemption right; investment eligibility; debentures; statutory remedies; unitholder activism; tax risk; and additional 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 February 12, 2026 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.

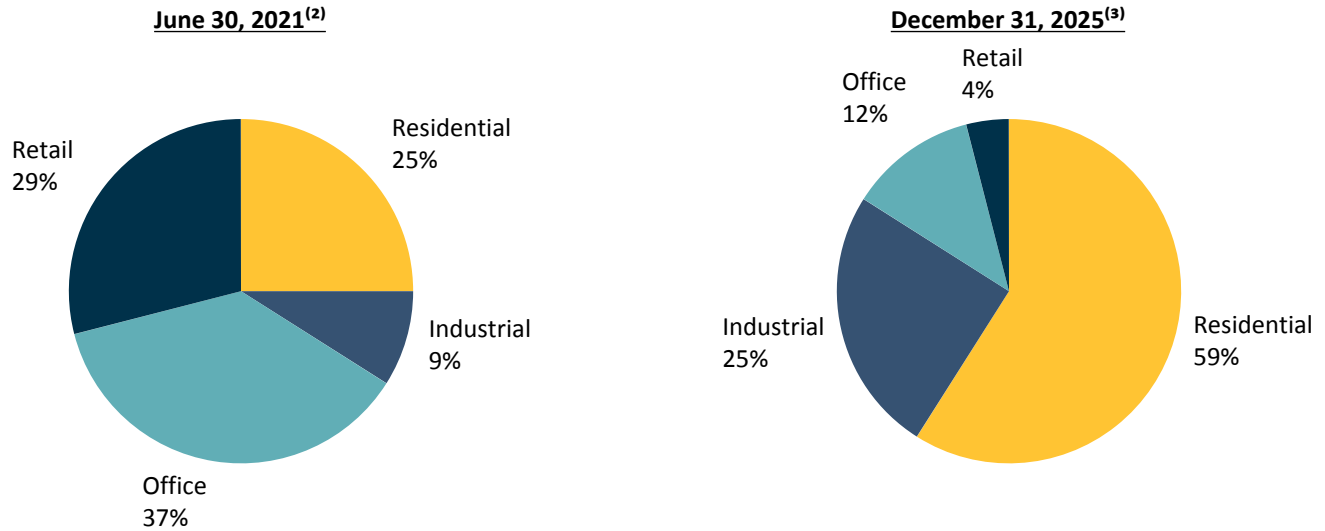
## **OVERVIEW AND STRATEGY**

H&R is one of Canada's largest real estate investment trusts. H&R has ownership interests in a Canadian and U.S. portfolio primarily comprised of high-quality residential (operating as Lantower Residential), industrial and office properties totalling approximately 21.2 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.

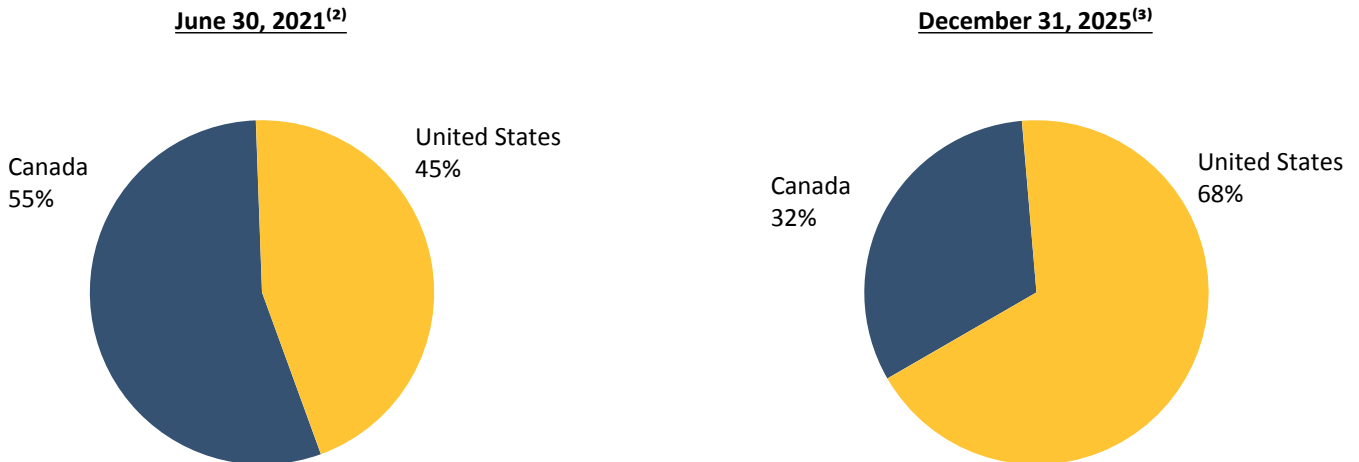
H&R's strategy is to create a simplified, growth-oriented business focused on residential and industrial properties in order to create sustainable long-term value for unitholders. H&R is currently undergoing a repositioning plan and intends to sell its office and retail properties as market conditions permit. H&R's vision is to be a leading owner, operator and developer of residential and industrial properties, creating value through greenfield development in prime locations within Toronto and high growth U.S. sun belt and gateway cities.

Since the announcement of H&R's strategic repositioning plan, H&R has sold ownership interests in 69 real estate assets totalling approximately \$3.0 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 at the time of the spin off.

**Real Estate Assets (Fair Value by Segment)<sup>(1)</sup>**



**Real Estate Assets (Fair Value by Region)<sup>(1)</sup>**



<sup>(1)</sup> At the REIT's proportionate share, excluding assets classified as held for sale. Refer to the "Non-GAAP Measures" section of this MD&A.  
<sup>(2)</sup> June 30, 2021 has been used as a benchmark since H&R's strategic repositioning plan was announced prior to the release of H&R's Q3 2021 results.  
<sup>(3)</sup> Excludes the Bow and 100 Wynford, which were legally sold in October 2021 and August 2022, respectively.

## STRATEGIC REPOSITIONING HIGHLIGHTS SINCE JUNE 30, 2021<sup>(1)</sup>

- 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, which properties were valued at approximately \$2.4 billion at the time of the spin off;
- H&R sold 69 real estate assets totalling approximately \$3.0 billion through December 31, 2025, including the Bow and 100 Wynford;
- H&R has sold \$1.1 billion and contracted to sell a further \$0.4 billion of assets in 2026;
- H&R increased its percentage of residential and industrial real estate assets at the REIT's proportionate share<sup>(2)</sup> excluding assets classified as held for sale, from 34% as at June 30, 2021 to 84% as at December 31, 2025;
- H&R increased its percentage of real estate assets held in the United States at the REIT's proportionate share<sup>(2)</sup> excluding assets classified as held for sale, from 45% as at June 30, 2021 to 68% as at December 31, 2025 (excluding the Bow and 100 Wynford);
- H&R reduced its office portfolio at the REIT's proportionate share<sup>(2)</sup> excluding assets classified as held for sale, from approximately \$5.0 billion as at June 30, 2021 to approximately \$0.9 billion as at December 31, 2025 (excluding the Bow and 100 Wynford);
- H&R reduced its retail portfolio at the REIT's proportionate share<sup>(2)</sup> excluding assets classified as held for sale, from approximately \$4.0 billion as at June 30, 2021 to approximately \$0.3 billion as at December 31, 2025;
- H&R completed five single-tenant industrial developments in the Greater Toronto Area ("GTA") totalling 641,920 square feet and two residential developments in Dallas, TX, totalling 763 residential rental units;
- H&R increased average contractual rent for U.S. residential properties from U.S. \$21.16 per square foot as at June 30, 2021 to U.S. \$27.18 per square foot as at December 31, 2025;
- H&R increased average contractual rent for Canadian industrial properties from \$7.17 per square foot as at June 30, 2021 to \$10.05 per square foot as at December 31, 2025;
- H&R reduced debt per the REIT's Financial Statements<sup>(3)</sup> from approximately \$6.1 billion as at June 30, 2021 to approximately \$3.5 billion as at December 31, 2025;
- H&R improved debt to total assets at the REIT's proportionate share<sup>(3)(4)</sup> from 50.0% as at June 30, 2021 to 49.8% as at December 31, 2025;
- H&R improved its unencumbered asset to unsecured debt coverage ratio<sup>(5)</sup> from 1.65x as at June 30, 2021 to 1.92x as at December 31, 2025;
- H&R improved debt to Adjusted EBITDA (based on trailing 12 months) at the REIT's proportionate share<sup>(3)(4)(6)</sup> from 10.4x as at June 30, 2021 to 9.3x as at December 31, 2025.

<sup>(1)</sup> June 30, 2021 has been used as a benchmark as H&R's strategic repositioning plan was announced prior to the release of Q3 2021 results.

<sup>(2)</sup> These are non-GAAP measures. Refer to the "Non-GAAP Measures" section of this MD&A.

<sup>(3)</sup> Debt includes mortgages payable, debentures payable, unsecured term loans and lines of credit.

<sup>(4)</sup> These are non-GAAP ratios. Refer to the "Non-GAAP Measures" section of this MD&A.

<sup>(5)</sup> 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.

<sup>(6)</sup> Adjusted EBITDA is defined in the "Debt" section of this MD&A.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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 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.

H&R published its 2024 Sustainability Report in 2025, highlighting Environmental, Social and Governance ("ESG") initiatives that exemplify 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. This Sustainability Report outlines the REIT's ESG framework and the REIT's commitment to drive sustainable performance and improvement. In 2025, H&R worked alongside Brightly Software

Canada Inc. (“Brightly Software”), a global leader in intelligent asset management solutions, to benchmark the REIT’s performance within the real estate investment trust industry, ensuring transparency and continuous improvement year-over-year.

The REIT’s Compensation, Environmental, Social & Governance and Nominating Committee (the “CESG&N Committee”), currently comprised of Brenna Haysom (Chair), Lindsay Brand, Donald Clow and S. Stephen Gross, is responsible for ESG oversight at the REIT.

Key programs and initiatives include:

#### Environmental

- H&R continues to implement programs to reduce carbon emissions, energy use, water use and waste;
- H&R has tracked and reported on investor grade utility data and emissions for the majority of H&R office properties since 2013;
- H&R reports utility consumption and emissions wherever H&R has control over utility use and/or is able to access utility data with data coverage totalling 97% of 2024 usage (Carbon Disclosure Project (“CDP”) 2024 Reporting);
- H&R’s reporting boundary follows the ‘Operational Control’ approach, as defined by the Greenhouse Gas (“GHG”) Protocol, to align with recent industry trends and the latest reporting guidance for real estate organizations. Under the operational control approach, 100% of emissions are reported from operations in which H&R or one of its subsidiaries has operational control;
- H&R is reporting on select Global Reporting Initiative (GRI) indicators, as well as select Sustainability Accounting Standards Board (SASB) indicators. Both frameworks provide H&R the capacity to benchmark its performance within the REIT industry, ensuring transparency;
- H&R’s like-for-like energy use increased by 2.6% in 2024 compared to 2023;
- H&R’s like-for-like water use increased by 11.0% in 2024 compared to 2023;
- H&R’s market based GHG emissions increased by 3.1% in 2024 compared to 2023, resulting in an overall year-over-year reduction of 4.0% in comparison to the base year of 2019;
- H&R is confident that the continued efficiency improvements the REIT has implemented will be reflected in its energy and utility performance in future years. While like-for-like energy, water, and market based GHG emissions increased in 2024 compared to 2023, this was driven by a few individual properties, rather than the whole portfolio. H&R continues to make progress on energy efficiency;
- To further expand utility data coverage, H&R implemented waste tracking at H&R managed properties wherever H&R manages waste collection and is able to access diversion reports;
- H&R engaged Brightly Software to prepare and check Scope 1, 2 and 3 data for GHG emissions included in the Sustainability Report Supplement for the year ended December 31, 2024. The scope of Brightly Software’s engagement and their letter describing the external review of performance indicator data can be found in the Sustainability Report Supplement, available on the REIT’s website;
- Green building certifications, such as LEED and BOMA BEST, provide third-party validation of property management, environmental programs and development practices within building portfolios. As at December 31, 2024, 68% of H&R’s Office portfolio (based on net rentable area) was LEED, BOMA Best and/or ENERGY STAR Certified;
- H&R utilized ENERGY STAR® Portfolio Manager, a cloud-based software program utilized by Natural Resources Canada and the United States Environmental Protection Agency, to benchmark the energy performance of H&R’s properties. As at December 31, 2024, 78% of H&R’s Office Portfolio is actively tracked on ENERGY STAR® Portfolio Manager, and 100% of H&R’s Lantower Residential Division is actively tracked on ENERGY STAR® Portfolio Manager;
- H&R partnered with Brightly Software to develop an Environmental Management System (“EMS”), formalizing its strategic ESG approach. H&R follows the International Organization for Standardization (“ISO”) 14001-aligned Plan-Do-Check-Act model. While not ISO 14001 certified, this EMS mirrors its structure, ensuring comparable functionality. The EMS, based on H&R’s Sustainability Policy, is planned to be continuously updated to inform decision making and enhance ESG performance;
- H&R has created an initial materiality matrix, ranking the topics of Sustainability based on their impact of issue on Environment and Society, as well as their importance to stakeholders;
- H&R recognizes the risks posed by climate change and extreme weather events to its real estate portfolio, encompassing both physical and transitional risks, and strives to build resilience into its business. In 2024, H&R partnered with FM Global to perform a comprehensive physical climate-related risk and exposure study on 56 properties, covering 46% of the gross floor area of the entire portfolio. This study helps H&R understand event-driven climate risks across five key climate perils, including extreme precipitation, wind, temperature, drought, and sea level rise;
- H&R has reported to the CDP since 2016, reflecting 2015 performance onwards;
- Global Real Estate Sustainability Benchmark (“GRESB”) is an independent organization providing validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making. H&R submitted to the GRESB Real Estate Assessment again in 2025 (based on 2024 performance and data), exemplifying the REIT’s continued commitment to embed sustainability in every facet of the REIT’s business and advance the

REIT's long-term ESG strategy; H&R exceeded its peer average in areas including Building Certifications, Reporting and Water Performance;

- In the fall of 2022, H&R launched its Green Financing Framework, designed to support the REIT's sustainability strategy as it continues to expand its building portfolio in an environmentally and socially responsible way. In support of H&R's strategy, H&R has established a Green Financing Framework ("the Framework") which aligns with the Green Bond Principles (the "GBP") developed by the International Capital Markets Association as of June 2021 and the Green Loan Principles (the "GLP") developed by the Loan Market Association as of February 2021. Morningstar Sustainalytics supplied a Second-Party Opinion confirming the Framework is credible, impactful and aligns with the four core components of the GBP and the GLP, each published in 2021; and
- H&R has well established governance structures such as the Investment Committee of the Board of Trustees of the REIT (the "Board") to oversee and approve acquisitions in line with the REIT's strategic plan. H&R conducts environmental due diligence prior to acquiring a property, obtains and/or peer reviews Phase I Environmental Site Assessment reports conducted by independent and experienced consultants and, if recommended, undertakes further remedial action and monitoring.

#### Social

- As at December 31, 2025, 50% of H&R's Tier 1 and 2 Executives and 44% of H&R's Tier 3 Executives were women. Overall, 39% of H&R's workforce were women.
- H&R is proud to have been recognized in 2025 by The Globe & Mail's "Women Lead Here" highlighting the emphasis H&R places on diversity and inclusion and has been recognized for the sixth consecutive year;
- H&R has programs to encourage volunteer hours, continuing education and physical fitness;
- H&R's corporate and on-site staff participate in employee and community charity initiatives and programs. In addition, H&R is proud to support the efforts of its Lantower Residential division with its Live to Give program, which works with several reputable charitable organizations to provide food, shelter and resources to local communities where Lantower Residential properties are located;
- Employee and professional advancement is encouraged with first consideration given to existing staff. This allows movement and growth within the organization, thus enabling our employees to acquire new skills and achieve personal development;
- H&R offers a Group Retirement Savings Program with a corporate match to encourage employee savings;
- H&R offers professional fee reimbursement and payment of relevant professional development courses;
- H&R has assisted employees with time off, flexible hours and extended leaves of absence to promote good health and pursue their outside interests and goals; and
- H&R has a human rights policy and diversity policy which can be found on H&R's website.

#### Governance

- Use of an independent Lead Trustee to encourage independent leadership among the Trustees of the REIT ("Trustees");
- Use of a minimum unit ownership requirement for Trustees and named executive officers;
- Majority independent Board, with 80% of the Board being fully independent as at December 31, 2025;
- Trustees are subject to 10-year term limits (subject to the Board's ability to waive such limit);
- 40% of the members of the Board are women, exceeding the 30% Club Canada's aim for better gender balance at the board level;
- Short term incentive plan for the Chief Executive Officer ("CEO") and Chief Financial Officer's ("CFO") of the REIT is based on corporate performance inclusive of strategic and ESG objectives;
- Use of a clawback policy applicable to all incentive compensation;
- Use of a "Say on Pay" vote and independent compensation advisor retained by the CESG&N Committee;
- Use of a Code of Business Conduct and Ethics, Whistleblower Policy, Trading Policy, Disclosure and Social Media Policy and Human Rights Policy (collectively, the "Corporate Policies");
- On an annual basis, each employee acknowledges that they have reviewed the REIT's Corporate Policies and that they agree to comply with them;
- Use of a vendor code of conduct to reinforce H&R's belief that all suppliers whom H&R associates with, align with H&R's culture of integrity and accountability; and
- Monthly training for all employees regarding cyber security awareness to advise employees of potential risks.

For more information on H&R's Sustainability Policy and additional information about its Sustainability Committee, Sustainability Report and Sustainability Report 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 Report 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

### STRATEGIC REVIEW PROCESS

The REIT formed a special committee (the "Special Committee") in response to the receipt of a non-binding expression of interest from multiple parties for an acquisition of all of the assets of the REIT (the "Strategic Review"). During 2025, the Special Committee engaged with the interested parties. Ultimately, the prices and terms proposed were not acceptable to the Special Committee.

Following the announcement that the Special Committee was reviewing strategic alternatives in July 2025, the Special Committee and the advisors to the REIT received additional indications of interest for certain assets of the REIT. On instruction from the Special Committee, the advisors to the REIT conducted a full sale process. At the end of this process, the Special Committee received multiple offers for specific assets, however, no en bloc offers were received for the REIT. The Special Committee was dissolved in November 2025.

As a result of the sale process, in November 2025, H&R entered into binding agreements with multiple buyers to sell certain retail and office properties in Canada and the United States for approximately \$1.5 billion. See "Announcement of \$1.5 Billion of Retail and Office Property Sales", below.

During the three months and year ended December 31, 2025, H&R incurred \$3.0 million and \$13.3 million, respectively, at the REIT's proportionate share (a non-GAAP measure, refer to the "Non-GAAP Measures" section of this MD&A) in transaction costs relating to the Strategic Review process, which primarily consists of legal and advisor fees for the REIT and the Special Committee.

### ANNOUNCEMENT OF \$1.5 BILLION OF RETAIL AND OFFICE PROPERTY SALES

In November 2025, H&R announced it had entered into binding agreements with multiple buyers to sell certain retail and office properties in Canada and the United States for approximately \$1.5 billion.

The following assets were sold for approximately \$1.1 billion in January 2026. Net proceeds of approximately \$727.3 million have been used to repay corporate debt.

- 1) H&R's non-managing 33.1% ownership interest in ECHO;
- 2) 23 Canadian retail properties;
- 3) 145 Wellington Street West, a downtown Toronto office property; and
- 4) 88 McNabb Street, an office property in the Greater Toronto Area.

The following assets are under contract to be sold and expected to close in Q1 2026:

- 1) Hess Tower, a Houston, TX office property; and
- 2) Remaining 3 Canadian retail properties.

In aggregate, the assets sold in January 2026 and assets under contract to be sold contributed net operating income at the REIT's proportionate share (a non-GAAP measure, refer to the "Non-GAAP Measures" section of this MD&A) for the three months and year ended December 31, 2025 of \$37.7 million and \$131.8 million, respectively and contributed net operating income (cash basis) at the REIT's proportionate share (a non-GAAP measure, refer to the "Non-GAAP Measures" section of this MD&A) for the three months and year ended December 31, 2025 of \$33.2 million and \$133.1 million, respectively. These figures do not reflect the impact of Hess Corporation's previously announced plan to vacate one-third of the Hess Tower in June 2026, representing 278,850 square feet of space. H&R expects its proforma debt to Adjusted EBITDA at the REIT's proportionate share (a non-GAAP ratio, refer to the "Non-GAAP Measures" section of this MD&A) to be 8.7x. H&R expects to keep this ratio below 9.0x on a go-forward basis. H&R expects to incur approximately U.S. \$0.9 million in U.S. taxes upon the sale of these assets.

Following the completion of the sales of the above noted assets, the proportion of the REIT's portfolio comprised of Residential and Industrial assets will increase from 69% to 84%. The only remaining retail square feet will be part of a mixed-use property at River Landing in Miami, FL comprising 528 residential units, 341,771 square feet of retail space and 149,178 square feet of office space.

Net proceeds of approximately \$727.3 million generated from the sales of assets in January 2026 has been used to repay corporate debt in January 2026. The additional net proceeds from the remaining assets under contract to be sold will also be used to repay corporate debt. Additionally, the REIT intends to apply to the TSX for approval to commence a normal course issuer bid (an "NCIB") and may use up to \$200.0 million of the newly created debt capacity, over time, to repurchase Units pursuant to any such NCIB.

## SUMMARY OF SIGNIFICANT 2025 ACTIVITY

### Net Operating Income Highlights

(in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
<b>Operating Segment:</b>						
Same-Property net operating income (cash basis) - Residential <sup>(1)</sup>	\$44,033	\$43,559	1.1%	\$170,394	\$168,417	1.2%
Same-Property net operating income (cash basis) - Industrial <sup>(1)</sup>	15,831	17,396	(9.0%)	65,343	67,851	(3.7%)
Same-Property net operating income (cash basis) - Office <sup>(1)</sup>	38,553	37,998	1.5%	154,682	152,448	1.5%
Same-Property net operating income (cash basis) - Retail <sup>(1)</sup>	24,731	23,698	4.4%	99,320	93,097	6.7%
Same-Property net operating income (cash basis) <sup>(1)</sup>	123,148	122,651	0.4%	489,739	481,813	1.6%
Net operating income (cash basis) from Transactions at the REIT's proportionate share <sup>(1)(2)</sup>	32,873	31,073	5.8%	126,390	134,486	(6.0%)
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share <sup>(1)(3)</sup>	15,781	14,686	7.5%	—	—	—%
Straight-lining of contractual rent at the REIT's proportionate share <sup>(1)</sup>	3,284	3,527	(6.9%)	13,898	18,256	(23.9%)
Net operating income from equity accounted investments <sup>(1)</sup>	(31,979)	(30,788)	3.9%	(120,944)	(114,637)	5.5%
<b>Net operating income per the REIT's Financial Statements</b>	<b>\$143,107</b>	<b>\$141,149</b>	<b>1.4%</b>	<b>\$509,083</b>	<b>\$519,918</b>	<b>(2.1%)</b>

<sup>(1)</sup> These are non-generally accepted accounting principles ("GAAP") measures. Refer to the "Non-GAAP Measures" section of this MD&A.

<sup>(2)</sup> Transactions are defined in the "Net Operating Income" section of this MD&A.

<sup>(3)</sup> 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 and year ended December 31, 2025.

### Fair Value Adjustment on Real Estate Assets

(in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
<b>Operating Segment:</b>						
Residential	(\$302,175)	\$56,099	(\$358,274)	(\$361,874)	(\$39,312)	(\$322,562)
Industrial	(16,975)	5,225	(22,200)	(85,971)	(24,872)	(61,099)
Office	(126,531)	(36,869)	(89,662)	(563,130)	(275,732)	(287,398)
Retail	(11,845)	(14,385)	2,540	(96,660)	(114,684)	18,024
Land and properties under development	(18,437)	485	(18,922)	(198,588)	(27,178)	(171,410)
Fair value adjustment on real estate assets per the REIT's proportionate share <sup>(1)</sup>	(475,963)	10,555	(486,518)	(1,306,223)	(481,778)	(824,445)
Less: equity accounted investments	259,585	(63,820)	323,405	336,948	55,894	281,054
<b>Fair value adjustment on real estate assets per the REIT's Financial Statements</b>	<b>(\$216,378)</b>	<b>(\$53,265)</b>	<b>(\$163,113)</b>	<b>(\$969,275)</b>	<b>(\$425,884)</b>	<b>(\$543,391)</b>

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

During the three months and year ended December 31, 2025, the fair value adjustments on real estate assets were primarily due to one office property and one residential property, both in Long Island City, NY. These adjustments were driven by feedback from the Strategic Review process and uncertainty surrounding the change in municipal political policies and the potential impact on New York City, its residents and investors.

During the year ended December 31, 2025, additional fair value adjustments on real estate assets were primarily due to the following: (i) properties classified as held for sale, to be in line with the expected selling prices of these properties; (ii) a reduction in valuations of certain industrial properties due to lower market rent assumptions for renewals and vacant properties; and (iii) a reduction in valuations of the REIT's U.S. land parcels, primarily due to softening economic conditions for development projects as well as persistently high interest rates for construction financing, resulting in higher construction costs.

Refer to the "Valuation of Real Estate Assets" section of this MD&A for further information.

### **Transaction Highlights**

#### 2025 Property Dispositions

During the year ended December 31, 2025, H&R sold its ownership interests in eight Canadian retail properties, two U.S. retail properties, one Canadian office property and one commercial unit adjacent to a Canadian office property totalling 601,090 square feet for \$121.0 million, all at H&R's ownership interest.

During the quarter ended December 31, 2025, H&R entered into binding agreements to sell approximately \$1.5 billion of retail and office properties. Refer to the "Announcement of \$1.5 Billion of Retail and Office Property Sales" section of this MD&A for further information.

#### Leasing Update

During 2025, H&R had three industrial vacancies: (i) 5550 Skyline Way N.E., a 62,403 square foot property at H&R's 50% ownership interest, in Calgary AB, became available for lease in February 2025; (ii) 77 Union Street, a 195,000 square foot property in Toronto, ON became available for lease in June 2025; and (iii) 100 Metropolitan Road, a 369,051 square feet at H&R's 50% ownership interest, in Toronto, ON became available to lease in June 2025. 100 Metropolitan Road was previously occupied by Hudson's Bay Company ("HBC"), who applied for protection from their creditors under the *Companies' Creditors Arrangement Act* (Canada) on March 7, 2025. HBC was only a tenant at one REIT property. The weighted average annual contractual rent per square foot at lease expiry at these three properties was \$6.30.

In June 2025, 6900 Maritz Drive in Mississauga, ON, a newly constructed 122,320 square foot industrial building reached substantial completion, at which point it was transferred from properties under development to investment properties. In September 2025, H&R entered into a binding letter of intent with a tenant to lease the full building at market rents commencing January 2026. The tenant has a 4-month rent free period commencing at the start of the lease term.

In Q3 2025, H&R leased vacant space at three of its Toronto industrial properties totalling 107,984 square feet at H&R's ownership interest with lease commencements between Q4 2025 and Q1 2026. In addition, H&R re-located an existing tenant to a previously vacant space for 49,762 square feet at H&R's ownership interest at a Toronto industrial property commencing in September 2025.

In Q3 2025, H&R completed lease renewals at two single tenanted Canadian office properties located in Markham, ON and Sydney, NS, totalling 143,641 square feet, with annual contractual rent increasing by an average of \$6.15 per square foot commencing in Q4 2025.

In Q4 2025, H&R leased its remaining two industrial properties under development, 560 & 600 Slate Drive in Mississauga, ON. Both properties were leased at market rents for approximately 11 years to a single tenant. The leases will commence at 560 Slate Drive in March 2026 and in October 2026 for 600 Slate Drive, with a 5-month rent free period at both properties commencing at the start of the respective lease term. These properties, which are further discussed below under "Equity Accounted Investments", are expected to be substantially completed and transferred from properties under development to investment properties in Q1 2026.

The Royal Bank of Canada's 188,526 square foot lease at 330 Front Street West, in Toronto, ON matured on December 31, 2025. H&R is in negotiations with several prospective tenants for part of this space.

## ***Development Update***

### Equity Accounted Investments

H&R has a 50% managing ownership interest in 560 & 600 Slate Drive, a 26.6 acre land site in Mississauga, ON, located next to Toronto Pearson International Airport and in close proximity to access points on the 410, 401 and 407 Highways. In 2024, construction commenced on two single storey industrial buildings totalling 312,218 square feet and 162,395 square feet, respectively, at the 100% level. Both buildings include sustainability elements such as EV charging stations and solar panel readiness and are targeting LEED Gold certification. As at December 31, 2025, the total budget for 560 & 600 Slate Drive was approximately \$65.5 million with costs remaining to complete of \$8.3 million, all at H&R's ownership interest. The yield on cost for the overall project is expected to be approximately 6.5% with completion expected in Q1 2026.

H&R has a 29.1% ownership interest in Lantower Residential REDT (No.1) JV LP ("REDT JV LP"). The REDT JV LP owns two residential development projects (the "REDT Projects") in Florida, consisting of 601 residential rental units currently under construction to be completed in mid-2026. As at December 31, 2025, H&R's share of the total budget for the REDT Projects was approximately \$83.6 million (U.S. \$61.0 million) with costs remaining to complete of \$21.0 million (U.S. \$15.3 million), all at H&R's ownership interest. During the three months ended December 31, 2025, H&R earned \$3.3 million in fees and interest income from the REDT JV LP (December 31, 2024 - \$0.6 million). During the year ended December 31, 2025, H&R earned \$11.7 million in fees and interest income from the REDT JV LP (December 31, 2024 - \$2.0 million).

H&R has a non-managing 50% ownership interest in 8.4 acres of land in Santa Ana, CA. The site is expected to be developed in two phases, and consist of 644 residential rental units and 15,131 square feet of retail space once complete, all at the 100% level. 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. In September 2025, construction commenced on the first phase, known as "Elio", which will consist of a 5-storey property across 4.2 acres, including 325 residential units, as well as 9,568 square feet of retail space, all at the 100% level. As at December 31, 2025, H&R's share of the total budget for Elio was approximately \$127.7 million (U.S. \$93.2 million) with costs remaining to complete of \$90.9 million (U.S. \$66.3 million), all at H&R's ownership interest. In September 2025, the partnership owning the site obtained a \$72.5 million (U.S. \$52.9 million) construction financing facility, at H&R's ownership interest, and expects to start drawing on the facility in 2026. The yield on cost for Elio is expected to be approximately 5.3% with completion expected in Q1 2028.

## ***Debt & Liquidity Highlights***

### Mortgages

In January 2025, three mortgages classified as held for sale as at December 31, 2024, totalling approximately \$13.0 million at H&R's ownership interest and bearing interest at a weighted average interest rate of 2.9%, were assumed by the purchaser on closing of the respective property sales.

During the year ended December 31, 2025, H&R repaid three mortgages totalling approximately \$92.5 million at a weighted average interest rate of 4.0%.

### Debentures

In June 2025, H&R redeemed all of its \$400.0 million, Series Q Senior Debentures upon maturity, which bore interest at 4.071% per annum.

### Liquidity

As at December 31, 2025, H&R had cash and cash equivalents of \$52.1 million, \$316.8 million available under its unused lines of credit and an unencumbered property pool of approximately \$3.9 billion. In January 2026, H&R received net proceeds before closing costs of \$727.3 million from the sale of ECHO and certain Canadian properties. \$375.0 million of the proceeds were used to repay

unsecured term loans. The majority of the remaining proceeds were used to repay lines of credit, further bolstering H&R's liquidity. Refer to the *"Announcement of \$1.5 Billion of Retail and Office Property Sales"* section of this news release for further information.

As at December 31, 2025, debt to total assets per the REIT's Financial Statements was 38.4% compared to 33.4% as at December 31, 2024. As at December 31, 2025, 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 49.8% compared to 43.7% as at December 31, 2024. The increase in both of these metrics was primarily due to fair value decreases in real estate assets.

#### ***2025 Cash Distributions***

H&R's cash distributions amounted to \$0.60 per Unit during 2025 (2024 - \$0.72 per Unit) which was comprised of monthly cash distributions which annualized to an aggregate amount of \$0.60 per Unit (2024 - \$0.60 per Unit). A special cash distribution of \$0.12 per Unit was paid in 2024 (2025 - nil).

For the year ended December 31, 2025, H&R's payout ratio as a percentage of Adjusted Funds from Operations ("AFFO") (a non-GAAP ratio, refer to the *"Non-GAAP Measures"* section of this MD&A) was 60.3% (2024 - 75.5%).

#### ***2025 Taxation Consequences for Taxable Canadian Unitholders***

H&R's cash distributions amounted to \$0.60 per Unit during 2025. The REIT also made a special distribution to unitholders of record on December 31, 2025 of \$0.15 per Unit payable in additional Units, which were immediately consolidated such that there was no change in the number of outstanding Units. The special distribution increased the adjusted cost basis of unitholders' consolidated Units.

#### ***Environmental, Social and Governance***

H&R published its 2024 Sustainability Report in 2025, highlighting ESG initiatives that exemplify 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.

Refer to the *"Environmental, Social and Governance"* section of this MD&A for further information.

**PORTFOLIO SUMMARY**

(in thousands of Canadian dollars, except for statistics)	Q4 2025	Q4 2024
<b>Residential:<sup>(1)</sup></b>		
Number of properties	26	26
Square feet (in thousands)	8,152	8,152
Residential rental units	8,929	8,929
Occupancy	92.1%	90.1%
Debt including liabilities classified as held for sale	\$1,685,815	\$1,863,429
Investment properties including those classified as held for sale	\$3,768,089	\$4,276,705
Capitalization rate	4.73%	4.72%
Rentals from investment properties	\$78,481	\$75,202
Net operating income	\$56,980	\$52,077
Same-Property net operating income (cash basis) <sup>(2)</sup>	\$44,033	\$43,559
<b>Industrial:<sup>(1)</sup></b>		
Number of properties	66	65
Square feet (in thousands)	8,295	8,168
Occupancy	90.7%	98.9%
Average remaining term to maturity of commercial leases (in years)	5.7	5.3
Debt including liabilities classified as held for sale	\$453,273	\$455,287
Investment properties including those classified as held for sale	\$1,472,309	\$1,517,371
Capitalization rate <sup>(3)</sup>	5.84%	5.61%
Rentals from investment properties	\$24,373	\$25,539
Net operating income	\$17,724	\$19,519
Same-Property net operating income (cash basis) <sup>(2)</sup>	\$15,831	\$17,396
<b>Office (excluding The Bow and 100 Wynford):<sup>(1)</sup></b>		
Number of properties	15	16
Square feet (in thousands)	4,426	4,521
Occupancy	96.0%	96.8%
Average remaining term to maturity of commercial leases (in years)	5.2	6.0
Debt including liabilities classified as held for sale	\$131,196	\$137,680
Investment properties including those classified as held for sale	\$1,366,379	\$1,941,152
Capitalization rate <sup>(3)</sup>	9.33%	7.66%
Rentals from investment properties	\$65,462	\$65,292
Net operating income	\$44,444	\$44,556
Same-Property net operating income (cash basis) <sup>(2)</sup>	\$38,553	\$37,998
<b>Retail:<sup>(1)</sup></b>		
Number of properties	256	267
Square feet (in thousands)	4,726	5,180
Occupancy	96.8%	97.0%
Average remaining term to maturity of commercial leases (in years)	7.4	7.9
Debt including liabilities classified as held for sale	\$—	\$401,454
Investment properties including those classified as held for sale <sup>(4)</sup>	\$530,420	\$1,556,767
Capitalization rate	6.84%	7.07%
Rentals from investment properties	\$35,510	\$36,018
Net operating income	\$28,457	\$28,441
Same-Property net operating income (cash basis) <sup>(2)</sup>	\$24,731	\$23,698
<b>Total (excluding The Bow and 100 Wynford):<sup>(1)</sup></b>		
Number of properties	363	374
Square feet (in thousands)	25,599	26,021
Occupancy	93.1%	95.5%
Average remaining term to maturity of commercial leases (in years)	6.0	6.4
Debt including liabilities classified as held for sale <sup>(5)</sup>	\$2,270,284	\$2,857,850
Investment properties including those classified as held for sale <sup>(4)</sup>	\$7,137,197	\$9,291,995
Capitalization rate <sup>(3)</sup>	5.97%	5.81%
Rentals from investment properties	\$203,826	\$202,051
Net operating income	\$147,605	\$144,593
Same-Property net operating income (cash basis) <sup>(2)</sup>	\$123,148	\$122,651

<sup>(1)</sup> 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.

<sup>(2)</sup> Same-Property net operating income (cash basis) is a non-GAAP measure defined in the "Non-GAAP Measures" section of this MD&A.

<sup>(3)</sup> Capitalization rates as at December 31, 2025 exclude one office property (December 31, 2024 - four office properties and one industrial property) advancing through the process of rezoning to residential use, which has been valued using the comparable sales approach.

<sup>(4)</sup> Includes right-of-use assets in a leasehold interest for Q4 2024 of \$29.9 million (included within equity accounted investments), which was measured at an amount equal to the corresponding lease liabilities.

<sup>(5)</sup> Excludes corporate debt which consists of debentures payable, unsecured term loans and unsecured operating lines of credit.

**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.

<b>OPERATIONS</b>		Residential	Industrial	Office <sup>(3)</sup>	Retail	Total
Occupancy as at December 31	<b>2025</b>	<b>92.1%</b>	<b>90.7%</b>	<b>96.0%</b>	<b>96.8%</b>	<b>93.1%</b>
	2024	90.1%	98.9%	96.8%	97.0%	95.5%
Occupancy – Same-Property as at December 31 <sup>(1)</sup>	<b>2025</b>	<b>92.8%</b>	<b>91.8%</b>	<b>96.0%</b>	<b>97.0%</b>	<b>93.7%</b>
	2024	95.0%	98.9%	97.1%	97.3%	97.0%
Average annual contractual rent per sq.ft. as at December 31 Canadian properties <sup>(2)</sup>	<b>2025</b>	<b>N/A</b>	<b>\$10.05</b>	<b>\$21.57</b>	<b>\$13.51</b>	<b>\$13.22</b>
	2024	N/A	\$9.66	\$21.73	\$13.09	\$12.91
Average annual contractual rent per sq.ft. as at December 31 U.S. properties (USD) <sup>(2)</sup>	<b>2025</b>	<b>\$27.18</b>	<b>\$3.47</b>	<b>\$39.40</b>	<b>\$19.51</b>	<b>\$26.00</b>
	2024	\$26.84	\$3.39	\$39.10	\$19.60	\$25.78
Average remaining term to maturity of leases as at December 31 (in years)	<b>2025</b>	<b>N/A</b>	<b>5.7</b>	<b>5.2</b>	<b>7.4</b>	<b>6.0</b>
	2024	N/A	5.3	6.0	7.9	6.4
Average interest rate on mortgages payable as at December 31 (in years)	<b>2025</b>	<b>3.7%</b>	<b>4.9%</b>	<b>3.7%</b>	<b>—%</b>	<b>3.8%</b>
	2024	3.8%	4.8%	3.7%	5.1%	3.9%
Average remaining term to maturity of mortgages payable as at December 31 (in years)	<b>2025</b>	<b>2.9</b>	<b>1.7</b>	<b>1.2</b>	<b>—</b>	<b>2.7</b>
	2024	3.6	2.7	2.2	8.2	3.7

<sup>(1)</sup> Same-Property refers to those properties owned by H&R for the two-year period ended December 31, 2025, excluding transfers of investment properties to or from properties under development.

<sup>(2)</sup> Excludes properties sold in their respective year.

<sup>(3)</sup> 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.

<b>Region</b>	December 31, 2025				December 31, 2024			
	Number of properties	Number of residential rental units	Weighted average monthly rent per occupied unit (USD)	Occupancy	Number of properties	Number of residential rental units	Weighted average monthly rent per occupied unit (USD)	Occupancy
Texas <sup>(1)</sup>	<b>10</b>	<b>3,227</b>	<b>\$1,499</b>	<b>90.3%</b>	10	3,227	\$1,451	80.2%
North Carolina	<b>5</b>	<b>1,634</b>	<b>1,565</b>	<b>91.2%</b>	5	1,634	1,582	93.8%
Florida <sup>(2)</sup>	<b>7</b>	<b>2,433</b>	<b>1,838</b>	<b>91.3%</b>	7	2,433	1,830	95.8%
Gateway Cities <sup>(2)</sup>	<b>4</b>	<b>1,635</b>	<b>3,852</b>	<b>97.5%</b>	4	1,635	3,774	97.5%
<b>Total</b>	<b>26</b>	<b>8,929</b>	<b>\$2,059</b>	<b>92.1%</b>	26	8,929	\$2,046	90.1%

As at December 31, 2025, annual rent as a percentage of median household income for households living in market rate Class A apartments in the United States was 22.2%<sup>(3)</sup>. As at December 31, 2025, annual rent as a percentage of median household income of the residences in the REIT's residential properties (excluding Jackson Park) was approximately 19.6%.

<sup>(1)</sup> Occupancy for Texas, excluding Lantower West Love and Lantower Midtown, which are in lease-up, was 92.2% and 93.4% as at December 31, 2025 and December 31, 2024, respectively.

<sup>(2)</sup> River Landing Residential, Miami, FL has been included in Gateway Cities.

<sup>(3)</sup> 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 December 31, 2025 in the tables below:

Number of Properties <sup>(1)(2)(3)</sup>	Canada				United States	Total
	Ontario	Alberta	Other	Subtotal		
Residential <sup>(4)</sup>	—	—	—	—	26	26
Industrial	38	15	12	65	1	66
Office	8	1	3	12	3	15
Retail	23	—	3	26	230	256
<b>Total</b>	<b>69</b>	<b>16</b>	<b>18</b>	<b>103</b>	<b>260</b>	<b>363</b>

Square Feet (in thousands) <sup>(1)(2)(3)</sup>	Canada				United States	Total
	Ontario	Alberta	Other	Subtotal		
Residential <sup>(4)</sup>	—	—	—	—	8,152	8,152
Industrial	5,057	1,913	912	7,882	413	8,295
Office	1,793	466	557	2,816	1,610	4,426
Retail	1,132	—	231	1,363	3,363	4,726
<b>Total</b>	<b>7,982</b>	<b>2,379</b>	<b>1,700</b>	<b>12,061</b>	<b>13,538</b>	<b>25,599</b>

<sup>(1)</sup> Excludes the Bow and 100 Wynford, as these properties were legally sold in October 2021 and August 2022, respectively.

<sup>(2)</sup> 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.

<sup>(3)</sup> Includes investment properties and H&R's net investment in ECHO classified as held for sale as at December 31, 2025.

<sup>(4)</sup> The residential properties contain 8,929 residential rental units.

**LEASE MATURITY PROFILE**

The following tables disclose H&R's leases expiring in Canada and the United States as at December 31, 2025 at the REIT's proportionate share, excluding the Residential segment where leases typically expire annually.

**Canadian Portfolio:**

Lease Expiries	Industrial		Office		Retail		Total		
	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
2026	241,734	10.50	685,832	15.47	8,773	23.63	936,339	7.8%	14.26
2027	843,387	7.65	325,034	21.93	112,721	9.91	1,281,142	10.6%	11.47
2028	486,114	11.85	94,198	24.52	43,863	13.93	624,175	5.2%	13.91
2029	467,107	13.26	208,170	27.14	83,052	18.07	758,329	6.3%	17.60
2030	571,523	11.21	201,041	24.18	186,940	15.00	959,504	7.9%	14.67
	2,609,865	10.48	1,514,275	20.18	435,349	14.33	4,559,489	37.8%	14.07

**U.S. Portfolio:**

Lease Expiries	Industrial		Office		Retail		Total		
	Sq.ft.	Rent per sq.ft. (\$) on expiry <sup>(1)</sup>	Sq.ft.	Rent per sq.ft. (\$) on expiry <sup>(1)</sup>	Sq.ft.	Rent per sq.ft. (\$) on expiry <sup>(1)</sup>	Sq.ft.	% of U.S. sq. ft.	Rent per sq.ft. (\$) on expiry <sup>(1)</sup>
2026	—	—	284,062 <sup>(2)</sup>	36.01	96,723	20.33	380,785	7.1%	32.03
2027	—	—	—	—	351,869	14.08	351,869	6.5%	14.08
2028	—	—	—	—	350,075	17.51	350,075	6.5%	17.51
2029	—	—	41,598	26.60	382,467	12.86	424,065	7.9%	14.21
2030	—	—	668,991	48.61	160,527	21.32	829,518	15.4%	43.33
	—	—	994,651	44.09	1,341,661	15.94	2,336,312	43.4%	27.93

<sup>(1)</sup> U.S. Dollars.

<sup>(2)</sup> Hess Corporation will be vacating 278,850 square feet at Hess Tower in Houston, TX, in June 2026. In Q4 2024, H&R completed a new 10-year lease for 92,976 square feet with a new tenant whose lease will commence in July 2026. Hess Tower is under contract to be sold and expected to close in Q1 2025. Accordingly, it was classified as an asset held for sale as at December 31, 2025.

**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 December 31, 2025 at the REIT's proportionate share:

Tenant	% of Rentals from Investment Properties <sup>(1)</sup>	Number of Locations	H&R owned sq.ft. (in 000's)	Average Lease Term to Maturity (in years) <sup>(2)</sup>	Credit Ratings (S&P)
1. Hess Corporation <sup>(3)</sup>	8.9%	1	845	7.2	AA- Stable
2. New York City Department of Health	7.1%	1	660	4.9	A+ Stable
3. Giant Eagle, Inc. <sup>(3)</sup>	3.7%	66	1,481	7.6	Not Rated
4. TC Energy Corporation	3.1%	1	466	5.3	BBB+ Stable
5. Canadian Tire Corporation	2.4%	2	2,104	6.1	BBB Stable
6. Ovintiv Inc. <sup>(4)</sup>	1.9%	—	—	12.4	BBB- Stable
7. Mac's Convenience Stores LLC <sup>(3)</sup>	1.8%	126	159	8.7	Not Rated
8. Toronto-Dominion Bank	1.6%	3	269	2.0	A+ Stable
9. Bell Canada	1.1%	1	437	1.0	BBB Negative
10. Rona Inc. <sup>(3)</sup>	0.9%	4	434	8.1	Not Rated
11. Finning International Inc.	0.9%	8	320	5.2	BBB+ Stable
12. Sobeys Inc. <sup>(3)</sup>	0.9%	9	331	5.9	BBB- Stable
13. Miami-Dade County <sup>(5)</sup>	0.8%	1	112	11.3	AA Stable
14. Purolator Inc.	0.8%	12	535	4.9	Not Rated
15. Deutsche Post AG	0.7%	1	343	5.1	Not Rated
16. Metro Inc. <sup>(3)</sup>	0.6%	7	274	4.4	BBB Stable
17. Government of Ontario <sup>(6)</sup>	0.6%	2	111	5.2	AA- Stable
18. Publix Super Markets, Inc.	0.6%	9	162	11.0	Not Rated
19. Nestlé Canada Inc. <sup>(3)</sup>	0.6%	1	73	3.7	Not Rated
20. iA Financial Group	0.6%	1	89	3.6	Not Rated
<b>Total</b>	<b>39.6%</b>	<b>256</b>	<b>9,205</b>	<b>6.7</b>	

<sup>(1)</sup> 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.

<sup>(2)</sup> Average lease term to maturity is weighted based on net rent.

<sup>(3)</sup> Tenant is located at properties classified as held for sale as at December 31, 2025 and will no longer be occupying any locations once sold.

<sup>(4)</sup> 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).

<sup>(5)</sup> Miami-Dade County includes The Public Health Trust and Offices for State Attorney.

<sup>(6)</sup> Government of Ontario includes the Financial Services Regulatory Authority of Ontario and the Liquor Control Board of Ontario.

**FINANCIAL HIGHLIGHTS**

	<b>December 31 2025</b>	December 31 2024	December 31 2023
Total assets (in thousands)	<b>\$9,108,286</b>	\$10,620,487	\$10,777,643
Debt to total assets per the REIT's Financial Statements <sup>(1)</sup>	<b>38.4%</b>	33.4%	34.2%
Debt to total assets at the REIT's proportionate share <sup>(1)(2)</sup>	<b>49.8%</b>	43.7%	44.0%
Debt to Adjusted EBITDA at the REIT's proportionate share <sup>(1)(2)(3)</sup>	<b>9.3x</b>	9.4x	8.5x
Unitholders' equity (in thousands)	<b>\$4,135,718</b>	\$5,278,743	\$5,192,375
Units outstanding (in thousands)	<b>264,558</b>	262,016	261,868
Exchangeable units outstanding (in thousands)	<b>15,442</b>	17,974	17,974
Unitholders' equity per Unit	<b>\$15.63</b>	\$20.15	\$19.83
NAV per Unit <sup>(2)(4)</sup>	<b>\$16.09</b>	\$20.92	\$20.75

<b>(in thousands except for per Unit amounts)</b>	Three months ended December 31		Year ended December 31	
	<b>2025</b>	2024	<b>2025</b>	2024
Rentals from investment properties	<b>\$203,750</b>	\$202,350	<b>\$815,128</b>	\$816,990
Net operating income	<b>\$143,107</b>	\$141,149	<b>\$509,083</b>	\$519,918
Same-Property net operating income (cash basis) <sup>(5)</sup>	<b>\$123,148</b>	\$122,651	<b>\$489,739</b>	\$481,813
Net income (loss) from equity accounted investments	<b>(\$241,748)</b>	\$82,308	<b>(\$271,064)</b>	\$2,477
Fair value adjustment on real estate assets	<b>(\$216,378)</b>	(\$53,265)	<b>(\$969,275)</b>	(\$425,884)
Net income (loss)	<b>(\$250,308)</b>	\$130,882	<b>(\$791,564)</b>	(\$119,714)
Funds from Operations ("FFO") <sup>(5)</sup>	<b>\$87,278</b>	\$83,417	<b>\$339,278</b>	\$334,427
Adjusted Funds from Operations ("AFFO") <sup>(5)</sup>	<b>\$72,936</b>	\$61,594	<b>\$278,585</b>	\$266,962
Weighted average number of Units and exchangeable units	<b>279,993</b>	279,990	<b>279,990</b>	279,933
FFO per basic and diluted Unit <sup>(2)</sup>	<b>\$0.312</b>	\$0.298	<b>\$1.212</b>	\$1.195
AFFO per basic and diluted Unit <sup>(2)</sup>	<b>\$0.260</b>	\$0.220	<b>\$0.995</b>	\$0.954
Cash distributions per Unit	<b>\$0.150</b>	\$0.150	<b>\$0.600</b>	\$0.600
Special December cash distribution per Unit	<b>\$—</b>	\$0.120	<b>\$—</b>	\$0.120
Payout ratio as a % of FFO <sup>(2)</sup>	<b>48.1%</b>	90.6%	<b>49.5%</b>	60.3%
Payout ratio as a % of AFFO <sup>(2)</sup>	<b>57.7%</b>	122.7%	<b>60.3%</b>	75.5%

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

<sup>(2)</sup> These are non-GAAP ratios. Refer to the "Non-GAAP Measures" section of this MD&A.

<sup>(3)</sup> Adjusted EBITDA is based on the trailing 12 months and is defined in the "Debt" section of this MD&A.

<sup>(4)</sup> Refer to the "Unitholders' Equity" section of this MD&A for a detailed calculation of NAV per Unit.

<sup>(5)</sup> 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 statements of financial position when converting U.S. dollars to Canadian dollars except where otherwise noted:

	<b>December 31 2025</b>	December 31 2024
For each U.S. \$1.00	<b>\$1.37 CAD</b>	\$1.44 CAD

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

(in thousands of Canadian dollars)	December 31, 2025			December 31, 2024		
	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share <sup>(1)</sup>	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share <sup>(1)</sup>
Assets						
Real estate assets						
Investment properties	<b>\$6,370,453</b>	<b>\$1,053,283</b>	<b>\$7,423,736</b>	\$7,996,810	\$2,275,559	\$10,272,369
Properties under development	<b>785,184</b>	<b>240,930</b>	<b>1,026,114</b>	1,010,648	208,898	1,219,546
	<b>7,155,637</b>	<b>1,294,213</b>	<b>8,449,850</b>	9,007,458	2,484,457	11,491,915
Equity accounted investments	<b>484,702</b>	<b>(484,702)</b>	—	1,275,549	(1,275,549)	—
Assets classified as held for sale	<b>1,142,900</b>	—	<b>1,142,900</b>	59,880	—	59,880
Other assets	<b>272,910</b>	<b>6,979</b>	<b>279,889</b>	177,246	34,758	212,004
Cash and cash equivalents	<b>52,137</b>	<b>6,503</b>	<b>58,640</b>	100,354	41,000	141,354
	<b>\$9,108,286</b>	<b>\$822,993</b>	<b>\$9,931,279</b>	\$10,620,487	\$1,284,666	\$11,905,153
Liabilities and Unitholders' Equity						
Liabilities						
Debt	<b>\$3,501,891</b>	<b>\$800,889</b>	<b>\$4,302,780</b>	\$3,537,384	\$1,199,391	\$4,736,775
Exchangeable units	<b>157,968</b>	—	<b>157,968</b>	166,800	—	166,800
Deferred Revenue	<b>862,139</b>	—	<b>862,139</b>	906,363	—	906,363
Deferred tax liability	<b>212,781</b>	—	<b>212,781</b>	413,186	—	413,186
Accounts payable and accrued liabilities	<b>237,789</b>	<b>22,104</b>	<b>259,893</b>	304,978	64,744	369,722
Liabilities classified as held for sale	—	—	—	13,033	—	13,033
Non-controlling interest	—	—	—	—	20,531	20,531
	<b>4,972,568</b>	<b>822,993</b>	<b>5,795,561</b>	5,341,744	1,284,666	6,626,410
Unitholders' equity	<b>4,135,718</b>	—	<b>4,135,718</b>	5,278,743	—	5,278,743
	<b>\$9,108,286</b>	<b>\$822,993</b>	<b>\$9,931,279</b>	\$10,620,487	\$1,284,666	\$11,905,153

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

**INVESTMENT PROPERTIES**
**2025 Acquisitions**

H&R did not acquire any investment properties during the year ended December 31, 2025.

**2024 Acquisitions**

H&R did not acquire any investment properties during the year ended December 31, 2024.

**2025 Dispositions**

Property	Segment	Date Sold	Square Feet	Selling Price (\$ Thousands)	Ownership Interest Sold
500 Hwy. 118 W. & 100/150 Muskoka Rd. Hwy. 118 W., Bracebridge, ON <sup>(1)(2)</sup>	Retail	January 6, 2025	30,485	\$5,200	50.0%
505 Hwy. 118 W., Bracebridge, ON <sup>(1)(2)</sup>	Retail	January 6, 2025	65,791	8,500	50.0%
555 Rossland Rd. E., Oshawa, ON <sup>(1)(2)</sup>	Retail	January 6, 2025	33,438	9,500	50.0%
1020 & 1090 Dawson Rd., Thunder Bay, ON <sup>(1)(2)</sup>	Retail	January 6, 2025	45,333	4,839	50.0%
640 First St. Extension, Collingwood, ON <sup>(2)</sup>	Retail	January 6, 2025	38,000	12,300	100.0%
2615 County Rd. 43, Kemptville, ON <sup>(2)</sup>	Retail	January 6, 2025	25,127	4,500	100.0%
1020 Dawson Rd., Thunder Bay, ON <sup>(2)</sup>	Retail	January 6, 2025	98,521	5,000	100.0%
502 37th Ave. S.E., Puyallup, WA <sup>(2)(3)</sup>	Retail	March 31, 2025	10,102	10,080	100.0%
32 Wellington St. E., Toronto, ON <sup>(1)(4)</sup>	Office	June 19, 2025	4,809	4,777	98.5%
3990 Red Cedar Dr., Highlands Ranch, CO <sup>(3)</sup>	Retail	July 18, 2025	9,751	10,138	100.0%
69 Yonge St., Toronto, ON	Office	July 23, 2025	89,276	20,200	100.0%
10450 42nd Ave., Edmonton, AB	Retail	November 27, 2025	150,457	26,000	100.0%
<b>Total</b>			<b>601,090</b>	<b>\$121,034</b>	

<sup>(1)</sup> Square feet and selling price are based on the ownership interest sold, and H&R no longer holds any ownership interest in these assets.

<sup>(2)</sup> Classified as held for sale as at December 31, 2024.

<sup>(3)</sup> U.S. dispositions have been translated to Canadian dollars using the exchange rate on the day the property was sold.

<sup>(4)</sup> Consists of one commercial unit adjacent to 26 Wellington St. E., Toronto, ON.

**2024 Dispositions**

Property	Segment	Date Sold	Square Feet	Selling Price (\$ Thousands)	Ownership Interest Sold
1604 & 1720 Willow St., Campbell River, BC <sup>(1)</sup>	Industrial	March 4, 2024	15,000	\$2,050	50.0%
10645 & 10625 State Bridge Rd., Alpharetta, GA <sup>(2)</sup>	Retail	March 7, 2024	12,240	4,928	100.0%
1739 & 1741 Buford Hwy., Cumming, GA <sup>(2)</sup>	Retail	March 7, 2024	11,590	5,400	100.0%
1764 & 1776 Kelly Douglas Rd., Kamloops, BC <sup>(1)</sup>	Industrial	March 12, 2024	32,136	5,075	50.0%
450 Mackenzie Ave. & 265 Fifth Ave. S., Williams Lake, BC <sup>(1)</sup>	Industrial	March 27, 2024	13,661	1,450	50.0%
1600 Boul. Lionel Boulet, Varennes, QC <sup>(1)</sup>	Industrial	March 28, 2024	155,552	8,531	50.0%
25 Dockside Dr., Toronto, ON	Office	April 15, 2024	479,437	232,500	100.0%
510 E. Courtland St., Morton, IL <sup>(2)</sup>	Industrial	May 15, 2024	123,090	8,534	100.0%
3777 Kingsway, Burnaby, BC <sup>(1)</sup>	Office	June 28, 2024	335,778	75,000	50.0%
4750 101 St. N.W., Edmonton, AB <sup>(1)</sup>	Industrial	July 15, 2024	10,229	1,350	50.0%
7900 Airport Rd., Brampton, ON <sup>(1)</sup>	Industrial	October 1, 2024	372,207	60,684	50.0%
<b>Total</b>			<b>1,560,920</b>	<b>\$405,502</b>	

<sup>(1)</sup> Square feet and selling price are based on the ownership interest sold, and H&R no longer holds any ownership interest in these assets.

<sup>(2)</sup> U.S. dispositions have been translated to Canadian dollars using the exchange rate on the day the property was sold.

**Real Estate Assets 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:

December 31, 2025								
Operating Segment (in thousands of Canadian dollars)	REIT's Financial Statements		Equity Accounted Investments		REIT's Proportionate Share <sup>(1)</sup>	The Bow and 100 Wynford	Total	%
	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development				
Residential	\$2,733,901	\$490,088	\$1,034,188	\$172,252	\$4,430,429	\$—	\$4,430,429	59.4%
Industrial	1,453,214	295,096	19,095	68,678	1,836,083	—	1,836,083	24.6%
Office	1,901,118	—	—	—	1,901,118	(991,039)	910,079	12.2%
Retail	282,220	—	—	—	282,220	—	282,220	3.8%
<b>Total</b>	<b>\$6,370,453</b>	<b>\$785,184</b>	<b>\$1,053,283</b>	<b>\$240,930</b>	<b>\$8,449,850</b>	<b>(\$991,039)</b>	<b>\$7,458,811</b>	<b>100.0%</b>

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

December 31, 2025								
Geographic Location (in thousands of Canadian dollars)	REIT's Financial Statements		Equity Accounted Investments		REIT's Proportionate Share <sup>(1)</sup>	The Bow and 100 Wynford	Total	%
	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development				
Ontario	\$1,360,996	\$343,981	\$—	\$68,678	\$1,773,655	(\$93,565)	\$1,680,090	22.5%
Alberta	1,274,872	—	—	—	1,274,872	(897,474)	377,398	5.1%
Other	297,600	—	—	—	297,600	—	297,600	4.0%
Canada	2,933,468	343,981	—	68,678	3,346,127	(991,039)	2,355,088	31.6%
United States	3,436,985	441,203	1,053,283	172,252	5,103,723	—	5,103,723	68.4%
<b>Total</b>	<b>\$6,370,453</b>	<b>\$785,184</b>	<b>\$1,053,283</b>	<b>\$240,930</b>	<b>\$8,449,850</b>	<b>(\$991,039)</b>	<b>\$7,458,811</b>	<b>100.0%</b>

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

December 31, 2024								
Operating Segment (in thousands of Canadian dollars)	REIT's Financial Statements		Equity Accounted Investments		REIT's Proportionate Share <sup>(1)</sup>	The Bow and 100 Wynford	Total	%
	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development				
Residential	\$2,901,084	\$682,101	\$1,375,621	\$124,907	\$5,083,713	\$—	\$5,083,713	48.6%
Industrial	1,496,646	328,547	20,725	47,548	1,893,466	—	1,893,466	18.1%
Office	2,981,406	—	—	—	2,981,406	(1,040,254)	1,941,152	18.6%
Retail	617,674	—	879,213	36,443	1,533,330	—	1,533,330	14.7%
<b>Total</b>	<b>\$7,996,810</b>	<b>\$1,010,648</b>	<b>\$2,275,559</b>	<b>\$208,898</b>	<b>\$11,491,915</b>	<b>(\$1,040,254)</b>	<b>\$10,451,661</b>	<b>100.0%</b>

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

December 31, 2024									
Geographic Location (in thousands of Canadian dollars)	REIT's Financial Statements		Equity Accounted Investments		REIT's Proportionate Share <sup>(1)</sup>	The Bow and 100 Wynford	Total	%	
	Investment Properties	Properties Under Development	Investment Properties	Properties Under Development					
Ontario	\$2,026,557	\$401,478	\$—	\$47,548	\$2,475,583	(\$101,368)	\$2,374,215	22.7%	
Alberta	1,340,667	—	—	—	1,340,667	(938,886)	401,781	3.9%	
Other	347,830	—	—	—	347,830	—	347,830	3.3%	
Canada	3,715,054	401,478	—	47,548	4,164,080	(1,040,254)	3,123,826	29.9%	
United States	4,281,756	609,170	2,275,559	161,350	7,327,835	—	7,327,835	70.1%	
Total	\$7,996,810	\$1,010,648	\$2,275,559	\$208,898	\$11,491,915	(\$1,040,254)	\$10,451,661	100.0%	

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

## VALUATION OF REAL ESTATE ASSETS

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.

The REIT views the methods and assumptions that are most relevant and significant to the estimated fair values of the REIT's real estate assets to be (i) and (ii) above. The comparable sales approach is used in limited instances for certain properties under development and a single investment property advancing through the process of rezoning.

During the year ended December 31, 2025, certain properties were valued by professional external independent appraisers or brokers. 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 year per the REIT's Financial Statements represent 18.9% and 31.2% of the fair value of investment properties and properties under development, respectively, as at December 31, 2025 (year ended December 31, 2024 - 16.3% and 41.5%, respectively). External independent appraisals received throughout the year per the REIT's proportionate share (a non-GAAP measure, refer to the "Non-GAAP Measures" section of this MD&A) including investment properties classified as held for sale and excluding The Bow and 100 Wynford represent 33.4% and 29.6% of the fair value of investment properties and properties under development, respectively, as at December 31, 2025 (year ended December 31, 2024 - 28.6% and 40.2%, 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 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 investment properties 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 Canadian Office capitalization rates as at December 31, 2025 exclude one office property (December 31, 2024 - four office properties and one industrial property) advancing through the process of rezoning to residential use, which has been valued in accordance with method (iii) above.

**Weighted Average Capitalization Rates**

<b>December 31, 2025</b>	<b>Residential</b>	<b>Industrial</b>	<b>Office</b>	<b>Retail</b>	<b>Total</b>
<b>Canada</b>	—	5.79%	8.68%	7.27%	6.69%
<b>United States</b>	4.73%	10.24%	9.87%	6.46%	5.63%
<b>Total</b>	4.73%	5.84%	9.33%	6.84%	5.97%

As at December 31, 2025, the weighted average capitalization rate for residential properties in the U.S. sun belt states was 4.97%, resulting in an overall weighted average capitalization rate of 4.73% for the residential portfolio.

**Weighted Average Capitalization Rates**

<b>December 31, 2024</b>	<b>Residential</b>	<b>Industrial</b>	<b>Office</b>	<b>Retail</b>	<b>Total</b>
<b>Canada</b>	—	5.55%	7.59%	6.64%	6.20%
<b>United States</b>	4.72%	9.75%	7.69%	7.19%	5.67%
<b>Total</b>	4.72%	5.61%	7.66%	7.07%	5.81%

As at December 31, 2024, the weighted average capitalization rate for the properties in the U.S. sun belt states was 4.97%, resulting in an overall weighted average capitalization rate of 4.72% for the residential portfolio.

**PROPERTIES UNDER DEVELOPMENT**

In January 2024, H&R received approval from the City of Mississauga to replace the existing 104,689 square foot office building at 6900 Maritz Drive in Mississauga, ON with a new 122,320 square foot industrial building. Construction commenced in 2024, and the project reached substantial completion in June 2025, at which point it was transferred from properties under development to investment properties. The building incorporates sustainability features such as EV charging stations and solar panel readiness, and it is targeting LEED Gold certification. In September 2025, H&R entered into a binding letter of intent with a tenant to lease the full building at market rents commencing January 2026. The tenant has a 4-month rent free period commencing at the start of the lease term.

The Canadian and U.S. properties currently held for development per the REIT's Financial Statements are:

As at December 31, 2025	At H&R's Ownership Interest			
	Ownership Interest	Number of Acres	Number of Expected Residential Rental Units	Costs Incurred to Date <sup>(3)</sup>
<b>Future Developments - Canada (in thousands of Canadian dollars)<sup>(1)</sup></b>				
Industrial Lands (Remaining lands), Caledon, ON <sup>(2)</sup>	100.0%	153.5	—	\$81,309
53 & 55 Yonge St., Toronto, ON	100.0%	0.4	836	79,398
		<b>153.9</b>	<b>836</b>	<b>\$160,707</b>
<b>Future Developments - U.S. (in thousands of U.S. dollars)<sup>(1)</sup></b>				
The Cove, Jersey City, NJ	100.0%	12.4	2,840	190,056
459 Smith St., Brooklyn, NY	75.0%	3.0	779	95,897
West Town, Orlando, FL	50.0%	13.5	271	14,694
9 Additional Developments	100.0%	67.5	3,161	153,588
		<b>96.4</b>	<b>7,051</b>	<b>454,235</b>
<b>Total Properties Under Development (in thousands of Canadian dollars)</b>		<b>250.3</b>	<b>7,887</b>	<b>\$783,009</b>

<sup>(1)</sup> 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 near future.

<sup>(2)</sup> As at December 31, 2024, H&R expected the Industrial Lands to yield 144.1 acres of developable land. H&R is now expecting an additional 9.4 acres of developable land, which were originally slated for future roadways and stormwater management ponds.

<sup>(3)</sup> Excludes fair value adjustments to properties under development totalling \$2.2 million as at December 31, 2025.

**EQUITY ACCOUNTED INVESTMENTS**

(in thousands of Canadian dollars)	Associates.....			Joint Ventures <sup>(2)</sup>		Total <sup>(3)</sup>
	ECHO <sup>(1)</sup>	Jackson Park	REDT JV LP			
Investment properties	\$—	\$904,558	\$—	\$148,725		<b>\$1,053,283</b>
Properties under development <sup>(4)</sup>	—	—	65,669	175,261		<b>240,930</b>
Other assets	—	4,605	1,714	660		<b>6,979</b>
Cash and cash equivalents	—	3,092	140	3,271		<b>6,503</b>
Debt	—	(681,157)	(29,355)	(90,377)		<b>(800,889)</b>
Accounts payable and accrued liabilities	—	(8,370)	(5,808)	(7,926)		<b>(22,104)</b>
<b>December 31, 2025</b>	<b>\$—</b>	<b>\$222,728</b>	<b>\$32,360</b>	<b>\$229,614</b>		<b>\$484,702</b>
December 31, 2024	\$504,596	\$527,106	\$34,993	\$208,854		\$1,275,549

<sup>(1)</sup> The net investment in ECHO has been classified as held for sale as at December 31, 2025.

<sup>(2)</sup> Joint ventures include 170 Butts Street, 560 & 600 Slate Drive, Central Pointe, Sunny Creek, Hercules Project and Shoreline.

<sup>(3)</sup> Each of these line items represents 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.

<sup>(4)</sup> Includes fair value adjustments to Canadian and U.S. properties under development totalling \$11.5 million, and \$2.0 million, respectively, as at December 31, 2025 (\$8.4 million and \$3.1 million, respectively, as at December 31, 2024).

## ECHO

As at December 31, 2025, H&R owned a 33.1% interest in 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.

In November 2025, H&R announced it had entered into a binding agreement with a third party to dispose of its investment in ECHO in January 2026 and determined that the investment met the criteria for classification as an asset held for sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5"). Upon classification as held for sale, the investment was measured at the lower of its carrying amount and fair value less costs to sell, and no impairment loss was recognized. The net investment has been reclassified to assets held for sale in the consolidated statement of financial position within the REIT's Financial Statements, and the equity method is no longer applied. As a result, ECHO's financial information is excluded from the table reconciling the REIT's share of net assets in equity accounted investments as at December 31, 2025, but continues to be included in the REIT's share of net income (loss) from equity accounted investments. Three and twelve months of income (loss) are included in these tables, as the classification as held for sale was made effective December 2025.

In January 2026, the REIT sold its net investment in ECHO for \$438.4 million, which includes \$859.9 million of assets, net of \$421.5 million of liabilities. Refer to the *"Announcement of \$1.5 Billion of Retail and Office Property Sales"* section of this MD&A for further information.

As at November 30, 2025, H&R's interest in ECHO consisted of 229 investment properties totalling approximately 2.9 million square feet and five properties under development. Giant Eagle, Inc., a supermarket chain in the United States, is ECHO's largest tenant with 66 locations totalling approximately 1.5 million square feet at H&R's ownership interest with an average lease term to maturity of 7.6 years. Giant Eagle represents approximately 37.4% of revenue earned by ECHO.

During the year ended November 30, 2025, ECHO acquired the remaining 47.0% interest in one property for \$1.7 million (U.S. \$1.2 million) and sold two investment properties and two properties under development for \$3.6 million (U.S. \$2.5 million), all at H&R's ownership interest. ECHO also transferred one property under development to investment properties totalling 25,987 square feet for a total value of \$26.3 million (U.S. \$18.7 million), at H&R's ownership interest, as well as transferred a portion of one investment property to properties under development.

## Jackson Park

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

## REDT

In February 2024, the REIT created the Lantower Residential Real Estate Development Trust (No.1 ) (the "REDT"), which completed an initial public offering in April 2024. The REDT raised U.S. \$52.0 million of equity capital from investors to acquire an interest in and fund the development of the REDT Projects in Florida totalling 601 residential rental units. The REIT contributed the land to REDT JV LP in exchange for a 29.1% ownership interest in the REDT JV LP. The REIT is accounting for its ownership interest in the REDT Projects as an equity accounted investment. H&R retains an option to acquire the REDT Projects, subject to approval by the investors of the REDT. H&R is earning a development fee of 4% of the total hard and soft costs of the REDT Projects (excluding land and financing costs) and is expecting to earn 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. As at December 31, 2025, H&R's share of the total budget for the REDT Projects was approximately \$83.6 million (U.S. \$61.0 million) with costs remaining to complete of \$21.0 million (U.S. \$15.3 million), all at H&R's ownership interest. The REDT JV LP entered into an agreement with the REIT to obtain a construction loan for a principal amount up to U.S. \$136.2 million, bearing interest at 9.0% per annum. As at December 31, 2025, the balance outstanding on the REDT Loan was U.S. \$73.6 million (Canadian equivalent - \$100.9 million), therefore the remaining balance that the REIT is committed to fund is U.S. \$62.6 million (Canadian equivalent - \$85.7 million). The REDT Projects are expected to be completed in mid-2026. The yield on cost for the REDT Projects is expected to be approximately 6.3%.

## 170 Butts Street

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

### 560 & 600 Slate Drive

H&R has a 50% managing ownership interest in 560 & 600 Slate Drive, a 26.6 acre land site in Mississauga, ON, located next to Toronto Pearson International Airport and in close proximity to access points on the 410, 401 and 407 Highways. In 2024, construction commenced on two single storey industrial buildings totalling 312,218 square feet and 162,395 square feet, respectively, at the 100% level. Both buildings include sustainability elements such as EV charging stations and solar panel readiness and are targeting LEED Gold certification. As at December 31, 2025, the total budget for 560 & 600 Slate Drive was approximately \$65.5 million with costs remaining to complete of \$8.3 million, all at H&R's ownership interest. The yield on cost for the overall project is expected to be approximately 6.5% with completion expected in Q1 2026. In February 2025, the partnership owning the site obtained a \$32.5 million construction financing facility, at H&R's ownership interest. As at December 31, 2025, the available balance was approximately \$18.0 million, at H&R's ownership interest.

### 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 be developed in two phases, and consist of 644 residential rental units and 15,131 square feet of retail space once complete, all at the 100% level. 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. In September 2025, construction commenced on the first phase, known as "Elio", which will consist of a 5-storey property across 4.2 acres, including 325 residential units, as well as 9,568 square feet of retail space, all at the 100% level. As at December 31, 2025, H&R's share of the total budget for Elio was approximately \$127.7 million (U.S. \$93.2 million) with costs remaining to complete of \$90.9 million (U.S. \$66.3 million), all at H&R's ownership interest. In September 2025, the partnership owning the site obtained a \$72.5 million (U.S. \$52.9 million) construction financing facility, at H&R's ownership interest, and expects to start drawing on the facility in 2026. The yield on cost for Elio is expected to be approximately 5.3% with completion expected in Q1 2028.

### 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.

### 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 December 31, 2025, H&R's equity investment was approximately \$40.2 million (U.S. \$29.4 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.

The remaining land parcels totalling 21.1 acres are secured against a \$4.7 million (U.S. \$3.4 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 6,447 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.

**Assets Classified as Held for Sale**
**December 31, 2025**

Property	Segment	Sale Date/ Expected Sale Date	Square Feet <sup>(1)</sup>	Occupancy
Net investment in ECHO <sup>(2)</sup>	Retail	January 6, 2026	2,872,088	96.7%
23 Canadian retail properties	Retail	January 27, 2026	1,244,851	99.8%
145 Wellington St. W., Toronto, ON	Office	January 27, 2026	160,098	88.2%
88 McNabb St., Markham, ON	Office	January 27, 2026	74,592	100.0%
1501 McKinney St., Houston, TX ("Hess Tower")	Office	Q1 2026	844,763	100.0%
Remaining 3 Canadian retail properties	Retail	Q1 2026	118,042	100.0%
25 Sheppard Ave. W., Toronto, ON	Office	2026	390,268	78.4%
<b>Total</b>			<b>5,704,702</b>	

<sup>(1)</sup> Square feet is based on H&R's ownership interest.

<sup>(2)</sup> H&R's net investment in ECHO is held at \$438.4 million as at December 31, 2025, which includes \$859.9 million of assets, net of \$421.5 million of liabilities.

**December 31, 2024**

Property	Segment	Sale Date	Square Feet <sup>(1)</sup>	Occupancy
500 Hwy. 118 W. & 100/150 Muskoka Rd. Hwy. 118 W., Bracebridge, ON <sup>(2)</sup>	Retail	January 6, 2025	30,485	100.0%
505 Hwy. 118 W., Bracebridge, ON <sup>(2)</sup>	Retail	January 6, 2025	65,791	70.8%
555 Rossland Rd. E., Oshawa, ON <sup>(2)</sup>	Retail	January 6, 2025	33,438	100.0%
1020 & 1090 Dawson Rd., Thunder Bay, ON	Retail	January 6, 2025	45,333	81.2%
640 First St. Extension, Collingwood, ON	Retail	January 6, 2025	38,000	100.0%
2615 County Rd. 43, Kemptville, ON	Retail	January 6, 2025	25,127	100.0%
1020 Dawson Rd., Thunder Bay, ON	Retail	January 6, 2025	98,521	100.0%
502 37th Ave. S.E., Puyallup, WA	Retail	March 31, 2025	10,102	100.0%
<b>Total</b>			<b>346,797</b>	

<sup>(1)</sup> Square feet is based on the ownership interest sold and H&R no longer holds any ownership interest in these assets.

<sup>(2)</sup> Liabilities classified as held for sale included three mortgages payable totalling approximately \$13.0 million at H&R's ownership interest. These mortgages were assumed by the purchaser on January 6, 2025.

**Other Assets**

<b>(in thousands of Canadian dollars)</b>	<b>December 31, 2025</b>	December 31, 2024
Mortgages receivable - net of provision for expected credit loss of nil (2024 - \$28,105)	<b>\$220,263</b>	\$125,661
Prepaid expenses and sundry assets	<b>22,250</b>	19,121
Accounts receivable - net of provision for expected credit loss of \$2,225 (2024 - \$2,863)	<b>6,098</b>	5,684
Restricted cash	<b>9,988</b>	12,787
Derivative instruments	<b>14,311</b>	13,993
	<b>\$272,910</b>	\$177,246

Mortgages receivable increased by approximately \$94.6 million from approximately \$125.7 million as at December 31, 2024 to approximately \$220.3 million as at December 31, 2025, primarily due to the REIT providing a construction loan to the REDT JV LP, which had a balance outstanding of \$100.9 million (U.S. \$73.6 million) as at December 31, 2025.

Prepaid expenses and sundry assets increased by approximately \$3.1 million from approximately \$19.1 million as at December 31, 2024 to approximately \$22.3 million as at December 31, 2025, primarily due to prepaid insurance.

Restricted cash decreased by approximately \$2.8 million from approximately \$12.8 million as at December 31, 2024 to approximately \$10.0 million as at December 31, 2025, primarily due to escrow funds being released as part of two U.S. mortgages being repaid in 2025.

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

## DEBT

	December 31, 2025	December 31, 2024
Debt to total assets per the REIT’s Financial Statements <sup>(1)</sup>	38.4%	33.4%
Debt to total assets at the REIT’s proportionate share <sup>(1)(2)</sup>	49.8%	43.7%
Unencumbered assets <sup>(3)</sup> (in thousands of Canadian dollars)	\$3,894,795	\$4,390,811
Unsecured debt <sup>(3)</sup> (in thousands of Canadian dollars)	\$2,032,496	\$1,891,958
Unencumbered asset to unsecured debt coverage ratio <sup>(3)</sup>	1.92x	2.32x
Debt to Adjusted EBITDA at the REIT’s proportionate share <sup>(1)(2)(3)</sup>	9.3x	9.4x
Non-recourse mortgages to total mortgages ratio	60.4%	63.3%
Weighted average interest rate of debt <sup>(5)</sup>	3.9%	4.0%
Weighted average term to maturity of debt (in years) <sup>(5)</sup>	1.8	2.2
Weighted average interest rate of debt at the REIT’s proportionate share <sup>(2)(5)</sup>	3.9%	4.1%
Weighted average term to maturity of debt (in years) at the REIT’s proportionate share <sup>(2)(5)</sup>	2.1	2.7

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

<sup>(2)</sup> These are non-GAAP measures and/or non-GAAP ratios. Refer to the “*Non-GAAP Measures*” section of this MD&A.

<sup>(3)</sup> 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.

<sup>(4)</sup> Adjusted EBITDA is based on the trailing 12 months.

<sup>(5)</sup> Debt includes mortgages payable, debentures payable, unsecured term loans and lines of credit.

## Debt Breakdown

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

(in thousands of Canadian dollars)	December 31, 2025			December 31, 2024		
	REIT’s Financial Statements	Equity Accounted Investments	REIT’s Proportionate Share <sup>(1)</sup>	REIT’s Financial Statements	Equity Accounted Investments	REIT’s Proportionate Share <sup>(1)</sup>
Mortgages payable	\$1,202,008	\$748,262	\$1,950,270	\$1,376,592	\$892,939	\$2,269,531
Debentures payable	798,836	—	798,836	1,197,958	—	1,197,958
Unsecured term loans	625,000	—	625,000	625,000	—	625,000
Lines of credit	876,047	52,627	928,674	337,834	306,452	644,286
	\$3,501,891	\$800,889	\$4,302,780	\$3,537,384	\$1,199,391	\$4,736,775

<sup>(1)</sup> The REIT’s proportionate share is a non-GAAP measure defined in the “*Non-GAAP Measures*” section of this MD&A.

Mortgages payable per the REIT’s Financial Statements decreased by approximately \$174.6 million from approximately \$1,376.6 million as at December 31, 2024 to approximately \$1,202.0 million as at December 31, 2025, primarily due to mortgage repayments upon maturity of \$92.5 million, the weakening of the U.S. dollar of \$49.4 million, and scheduled amortization payments of \$35.0 million.

Debentures payable per the REIT’s Financial Statements decreased by approximately \$399.1 million from approximately \$1,198.0 million as at December 31, 2024 to approximately \$798.8 million as at December 31, 2025, primarily due to the REIT redeeming all of its \$400.0 million outstanding Series Q Senior Debentures in June 2025 upon maturity.

Lines of credit per the REIT's Financial Statements increased by approximately \$538.2 million from approximately \$337.8 million as at December 31, 2024 to approximately \$876.0 million as at December 31, 2025, primarily due to the REIT drawing on its lines of credit to repay the \$400.0 million outstanding Series Q Senior Debentures in June 2025 and funding construction financing to the REDT JV LP.

Debt within equity accounted investments decreased by approximately \$398.5 million from approximately \$1,199.4 million as at December 31, 2024 to approximately \$800.9 million as at December 31, 2025, primarily due to H&R's net investment in ECHO being reclassified to assets held for sale in the consolidated statement of financial position, resulting in the equity method no longer being applied.

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:

<b>(in thousands of Canadian dollars)</b>	<b>December 31, 2025</b>			<b>December 31, 2024</b>		
	REIT's Financial Statements	Equity Accounted Investments	REIT's Proportionate Share <sup>(1)</sup>	REIT's Financial Statements	Equity Accounted Investments	REIT's Proportionate Share <sup>(1)</sup>
Residential	<b>\$895,458</b>	<b>\$790,357</b>	<b>\$1,685,815</b>	\$1,052,029	\$811,400	\$1,863,429
Industrial	<b>442,741</b>	<b>10,532</b>	<b>453,273</b>	455,287	—	455,287
Office	<b>131,196</b>	—	<b>131,196</b>	137,680	—	137,680
Retail	—	—	—	430	387,991	388,421
Corporate <sup>(2)</sup>	<b>2,032,496</b>	—	<b>2,032,496</b>	1,891,958	—	1,891,958
	<b>\$3,501,891</b>	<b>\$800,889</b>	<b>\$4,302,780</b>	\$3,537,384	\$1,199,391	\$4,736,775

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

<sup>(2)</sup> Corporate debt includes unsecured debentures payable, unsecured term loans and unsecured operating lines of credit.

**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.

	December 31	December 31
(in thousands of Canadian dollars)	2025	2024
<b>Debt per the REIT's Financial Statements<sup>(1)</sup></b>	<b>\$3,501,891</b>	\$3,550,417
Debt - REIT's proportionate share of equity accounted investments <sup>(1)</sup>	800,889	1,199,391
<b>Debt at the REIT's proportionate share<sup>(1)</sup></b>	<b>4,302,780</b>	4,749,808
H&R's share of ECHO's debt classified within assets held for sale <sup>(1)(2)</sup>	361,423	—
<b>Total Debt<sup>(1)</sup></b>	<b>4,664,203</b>	4,749,808
<b>Year ended December 31</b>	<b>2025</b>	2024
<b>Net loss per the REIT's Financial Statements</b>	<b>(791,564)</b>	(119,714)
Net income from equity accounted investments (within equity accounted investments)	(57)	(430)
Finance costs - operations	253,893	296,538
Fair value adjustments on financial instruments and real estate assets	1,324,237	491,319
Loss on sale of real estate assets, net of related costs	748	12,156
(Gain) loss on foreign exchange (within equity accounted investments)	879	(856)
Income tax recovery	(182,420)	(58,951)
Non-controlling interest	1,171	1,256
<i>Adjustments:</i>		
The Bow and 100 Wynford non-cash rental income adjustments	(94,559)	(93,736)
Straight-lining of contractual rent	(13,898)	(18,256)
Fair value adjustment to unit-based compensation	3,168	(1,791)
<b>Adjusted EBITDA at the REIT's proportionate share</b>	<b>\$501,598</b>	\$507,535
<b>Debt to Adjusted EBITDA at the REIT's proportionate share<sup>(1)</sup></b>	<b>9.3x</b>	9.4x

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

<sup>(2)</sup> H&R has included ECHO's debt classified within assets held for sale within Total Debt as ECHO's share of EBITDA has been included within Adjusted EBITDA at the REIT's proportionate share for the year ended December 31, 2025.

Excluding transaction costs relating to the Strategic Review process incurred of \$13.3 million during the year ended December 31, 2025, Debt to Adjusted EBITDA at the REIT's proportionate share would have been 9.1x as at December 31, 2025.

**OTHER LIABILITIES**
**Exchangeable Units**

As at December 31, 2025, certain of the REIT's subsidiaries had in aggregate 15,441,644 (December 31, 2024 - 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 December 31, 2025 was \$10.23 (December 31, 2024 - \$9.28) per Unit.

During the year ended December 31, 2025, 2,532,542 exchangeable units were exchanged into Units.

<b>The following number of exchangeable units are issued and outstanding:</b>	Number of Exchangeable Units	Quoted Price of Units	Amounts per the REIT's Financial Statements (\$000's)
<b>As at December 31, 2025</b>	<b>15,441,644</b>	<b>\$10.23</b>	<b>\$157,968</b>
As at December 31, 2024	17,974,186	\$9.28	\$166,800

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 Inc. 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 12 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 Canada 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 consolidated statements of financial position in the REIT's Financial Statements:

(in thousands of Canadian dollars)	December 31, 2025			December 31
	The Bow	100 Wynford	Total	2024
Income producing property - fair value <sup>(1)</sup>	\$897,474	\$93,565	\$991,039	\$1,040,254
Deferred revenue - net of amortization of \$160,846 (2024 - \$116,622)	768,689	93,450	862,139	906,363

<sup>(1)</sup> 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 consolidated statements of comprehensive income (loss) as well as a reconciliation of the Bow and 100 Wynford's contribution to FFO and AFFO:

(in thousands of Canadian dollars)	Three months ended December 31			2024
	The Bow	100 Wynford	2025	2024
Rental income earned	\$3,804	\$—	\$3,804	\$3,869
Rental income earned - non-cash	21,515	2,189	23,704	23,497
Revenue reimbursement for property operating costs	13,408	516	13,924	13,538
Property operating costs	(13,435)	(516)	(13,951)	(13,560)
Net operating income	25,292	2,189	27,481	27,344
Accretion finance expense on deferred revenue - non-cash	(12,142)	(236)	(12,378)	(12,917)
Fair value adjustment on real estate assets - non-cash	(10,697)	(2,094)	(12,791)	(11,790)
Net income (loss)	2,453	(141)	2,312	2,637
Fair value adjustment on real estate assets	10,697	2,094	12,791	11,790
Non-cash rental income and accretion adjustment	(9,373)	(1,953)	(11,326)	(10,580)
FFO <sup>(1)</sup>	3,777	—	3,777	3,847
Capital expenditures	—	(136)	(136)	(49)
AFFO <sup>(1)</sup>	\$3,777	(\$136)	\$3,641	\$3,798

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

(in thousands of Canadian dollars)	Year ended December 31			2024
	The Bow	100 Wynford	2025	2024
Rental income earned	\$15,373	\$—	\$15,373	\$15,421
Rental income earned - non-cash	85,803	8,756	94,559	93,736
Revenue reimbursement for property operating costs	53,253	1,970	55,223	53,653
Property operating costs	(53,417)	(1,970)	(55,387)	(53,775)
Net operating income	101,012	8,756	109,768	109,035
Accretion finance expense on deferred revenue - non-cash	(49,362)	(973)	(50,335)	(52,428)
Fair value adjustment on real estate assets - non-cash	(41,487)	(7,944)	(49,431)	(45,783)
Net income (loss)	10,163	(161)	10,002	10,824
Fair value adjustment on real estate assets	41,487	7,944	49,431	45,783
Non-cash rental income and accretion adjustment	(36,441)	(7,783)	(44,224)	(41,308)
FFO <sup>(1)</sup>	15,209	—	15,209	15,299
Capital expenditures	—	(140)	(140)	(56)
AFFO <sup>(1)</sup>	\$15,209	(\$140)	\$15,069	\$15,243

<sup>(1)</sup> 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 and year ended December 31, 2025 was \$3.8 million and \$15.2 million, respectively. Excluding the non-cash rental income adjustment under IFRS 15, net operating income from 100 Wynford for the three months and year ended December 31, 2025 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 2025 (2024 - 23.9%).

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

<b>(in thousands of Canadian dollars)</b>	<b>December 31 2025</b>	December 31 2024
<b>Deferred tax assets:</b>		
Net operating losses	<b>\$95,700</b>	\$104,463
Accounts payable and accrued liabilities	<b>2,531</b>	1,398
	<b>98,231</b>	105,861
<b>Deferred tax liabilities:</b>		
Real estate assets	<b>(226,774)</b>	(352,093)
Equity accounted investments	<b>(83,796)</b>	(166,600)
Other assets	<b>(442)</b>	(354)
	<b>(311,012)</b>	(519,047)
Deferred tax liability	<b>(\$212,781)</b>	(\$413,186)

The deferred tax liability relating to the real estate assets is derived on the basis that the U.S. real estate assets will be sold at their current fair values. 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 decreased by approximately \$200.4 million from \$413.2 million as at December 31, 2024 to \$212.8 million as at December 31, 2025 primarily due to fair value adjustments on real estate assets and the weakening of the U.S. dollar.

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities decreased by \$67.2 million from approximately \$305.0 million as at December 31, 2024 to approximately \$237.8 million as at December 31, 2025, primarily due to the following: (i) a \$0.12 per Unit special cash distribution accrued as at December 31, 2024 and paid in January 2025, compared to no special cash distribution payable in the current year; (ii) a reduction in costs to complete for developments completed; and (iii) a U.S. office property paid 2025 property taxes in December 2025 compared to 2024 property taxes paid in January 2025.

**UNITHOLDERS' EQUITY**

Unitholders' equity decreased by \$1,143.0 million from approximately \$5,278.7 million as at December 31, 2024 to approximately \$4,135.7 million as at December 31, 2025, primarily due to fair value adjustments on real estate assets during the year ended December 31, 2025.

<b>Unitholders' Equity per Unit and NAV per Unit (in thousands except for per Unit amounts)</b>	<b>December 31 2025</b>	December 31 2024
Unitholders' equity	<b>\$4,135,718</b>	\$5,278,743
Exchangeable units	<b>157,968</b>	166,800
Deferred tax liability	<b>212,781</b>	413,186
<b>Total</b>	<b>\$4,506,467</b>	\$5,858,729
Units outstanding	<b>264,558</b>	262,016
Exchangeable units outstanding	<b>15,442</b>	17,974
<b>Total</b>	<b>280,000</b>	279,990
Unitholders' equity per Unit <sup>(1)</sup>	<b>\$15.63</b>	\$20.15
NAV per Unit <sup>(2)</sup>	<b>\$16.09</b>	\$20.92

<sup>(1)</sup> Unitholders' equity per Unit is calculated by dividing unitholders' equity by Units outstanding.

<sup>(2)</sup> This is a non-GAAP ratio. Refer to the "Non-GAAP Measures" section of this MD&A.

Unitholders' equity per Unit and NAV per Unit decreased by \$4.52 and \$4.83, respectively, from December 31, 2024 to December 31, 2025, primarily due to fair value adjustments on real estate assets.

**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 December 31		Year ended December 31	
	2025	2024	2025	2024
For each U.S. \$1.00	<b>\$1.40 CAD</b>	\$1.40 CAD	<b>\$1.40 CAD</b>	\$1.37 CAD

The following table reconciles the REIT's Results of Operations from the REIT's Financial Statements to the REIT's proportionate share for the three months ended December 31, 2025 and December 31, 2024:

(in thousands of Canadian dollars)	Three months ended December 31, 2025			Three months ended December 31, 2024		
	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share <sup>(1)</sup>	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share <sup>(1)</sup>
Rentals from investment properties	\$203,750	\$41,508	\$245,258	\$202,350	\$40,605	\$242,955
Property operating costs	(60,643)	(9,529)	(70,172)	(61,201)	(9,817)	(71,018)
Net operating income	143,107	31,979	175,086	141,149	30,788	171,937
Net income (loss) from equity accounted investments	(241,748)	241,757	9	82,308	(82,169)	139
Finance costs - operations	(50,869)	(11,846)	(62,715)	(59,579)	(12,448)	(72,027)
Finance income	4,654	465	5,119	2,959	237	3,196
Trust expenses, net	(3,886)	(1,790)	(5,676)	(1,915)	(650)	(2,565)
Fair value adjustment on financial instruments	24,784	(114)	24,670	39,017	145	39,162
Fair value adjustment on real estate assets	(216,378)	(259,585)	(475,963)	(53,265)	63,820	10,555
Gain (loss) on sale of real estate assets, net of related costs	(1,054)	10	(1,044)	268	(377)	(109)
Gain on foreign exchange	—	—	—	—	935	935
Transaction costs	(2,481)	(560)	(3,041)	—	—	—
Net income (loss) before income taxes and non-controlling interest	(343,871)	316	(343,555)	150,942	281	151,223
Income tax (expense) recovery	93,563	(51)	93,512	(20,060)	(28)	(20,088)
Net income (loss) before non-controlling interest	(250,308)	265	(250,043)	130,882	253	131,135
Non-controlling interest	—	(265)	(265)	—	(253)	(253)
Net income (loss)	(250,308)	—	(250,308)	130,882	—	130,882
Other comprehensive income (loss):						
Items that are or may be reclassified subsequently to net income (loss)	(57,297)	—	(57,297)	293,302	—	293,302
Total comprehensive income (loss) attributable to unitholders	(\$307,605)	\$—	(\$307,605)	\$424,184	\$—	\$424,184

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

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The following table reconciles the REIT's Results of Operations from the REIT's Financial Statements to the REIT's proportionate share for the year ended December 31, 2025 and December 31, 2024:

(in thousands of Canadian dollars)	Year ended December 31, 2025			Year ended December 31, 2024		
	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share <sup>(1)</sup>	REIT's Financial Statements	Equity accounted investments	REIT's proportionate share <sup>(1)</sup>
Rentals from investment properties	\$815,128	\$165,368	\$980,496	\$816,990	\$156,451	\$973,441
Property operating costs	(306,045)	(44,424)	(350,469)	(297,072)	(41,814)	(338,886)
Net operating income	509,083	120,944	630,027	519,918	114,637	634,555
Net income (loss) from equity accounted investments	(271,064)	271,121	57	2,477	(2,047)	430
Finance costs - operations	(205,551)	(48,342)	(253,893)	(246,829)	(49,709)	(296,538)
Finance income	14,498	1,725	16,223	11,577	891	12,468
Trust expenses, net	(19,381)	(6,682)	(26,063)	(20,580)	(5,125)	(25,705)
Fair value adjustment on financial instruments	(17,498)	(516)	(18,014)	(8,452)	(1,089)	(9,541)
Fair value adjustment on real estate assets	(969,275)	(336,948)	(1,306,223)	(425,884)	(55,894)	(481,778)
Gain (loss) on sale of real estate assets, net of related costs	(2,254)	1,506	(748)	(11,154)	(1,002)	(12,156)
Gain (loss) on foreign exchange	—	(879)	(879)	—	856	856
Transaction costs	(12,740)	(560)	(13,300)	—	—	—
Net income (loss) before income taxes and non-controlling interest	(974,182)	1,369	(972,813)	(178,927)	1,518	(177,409)
Income tax (expense) recovery	182,618	(198)	182,420	59,213	(262)	58,951
Net income (loss) before non-controlling interest	(791,564)	1,171	(790,393)	(119,714)	1,256	(118,458)
Non-controlling interest	—	(1,171)	(1,171)	—	(1,256)	(1,256)
Net loss	(791,564)	—	(791,564)	(119,714)	—	(119,714)
Other comprehensive income (loss):						
Items that are or may be reclassified subsequently to net loss	(219,573)	—	(219,573)	393,292	—	393,292
Total comprehensive income (loss) attributable to unitholders	(\$1,011,137)	\$—	(\$1,011,137)	\$273,578	\$—	\$273,578

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

**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 two-year period ended December 31, 2025. It excludes acquisitions, dispositions, and transfers of investment properties to or from properties under development during the two-year period ended December 31, 2025 (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.

(in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Rentals from investment properties	\$203,750	\$202,350	\$1,400	\$815,128	\$816,990	(\$1,862)
Property operating costs	(60,643)	(61,201)	558	(306,045)	(297,072)	(8,973)
Net operating income per the REIT's Financial Statements	143,107	141,149	1,958	509,083	519,918	(10,835)
Adjusted for:						
Net operating income from equity accounted investments <sup>(1)</sup>	31,979	30,788	1,191	120,944	114,637	6,307
Straight-lining of contractual rent at the REIT's proportionate share <sup>(1)</sup>	(3,284)	(3,527)	243	(13,898)	(18,256)	4,358
Realty taxes in accordance with IFRIC 21 at the REIT's proportionate share <sup>(1)</sup>	(15,781)	(14,686)	(1,095)	—	—	—
Net operating income (cash basis) from Transactions at the REIT's proportionate share <sup>(1)</sup>	(32,873)	(31,073)	(1,800)	(126,390)	(134,486)	8,096
Same-Property net operating income (cash basis) <sup>(1)</sup>	\$123,148	\$122,651	\$497	\$489,739	\$481,813	\$7,926

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

The average exchange rate for the three months ended December 31, 2025 was \$1.40 for each U.S. \$1.00 (December 31, 2024 - \$1.40). The average exchange rate for the year ended December 31, 2025 was \$1.40 for each U.S. \$1.00 (December 31, 2024 - \$1.37).

Net operating income per the REIT's Financial Statements increased by \$2.0 million for the three months ended December 31, 2025 compared to the respective 2024 period, primarily due to the lease-up of Lantower West Love and Lantower Midtown, both in Dallas, TX, partially offset by properties sold. Net operating income per the REIT's Financial Statements decreased by \$10.8 million for the year ended December 31, 2025 compared to the respective 2024 period, primarily due to properties sold. This was partially offset by the lease-up of Lantower West Love and Lantower Midtown, both in Dallas, TX and the strengthening of the U.S. dollar.

Net operating income from equity accounted investments increased by \$1.2 million and \$6.3 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to an increase in net operating income from H&R's gateway city residential properties and an increase in net operating income from ECHO, mainly from Transactions. In addition, net operating income from equity accounted investments further increased for the year ended December 31, 2025 compared to the respective 2024 period, due to the strengthening of the U.S. dollar.

Straight-lining of contractual rent at the REIT's proportionate share decreased by \$4.4 million for the year ended December 31, 2025 compared to the respective 2024 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 \$0.5 million and \$7.9 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to an increase in occupancy at River Landing Commercial in Miami, FL. Same-Property net operating income (cash basis) further increased for the year ended December 31, 2025 compared to the respective 2024 period, due to the strengthening of the U.S. dollar. These increases were partially offset by higher vacancies from H&R's industrial properties.

## 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 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 26 residential properties in select markets in the United States. As at December 31, 2025, the portfolio comprised of 8,929 residential rental units, at H&R's ownership interest.

The Industrial segment consists of 65 industrial properties in Canada and one property in the United States comprising 8.3 million square feet, at H&R's ownership interest, with an average lease term to maturity of 5.7 years as at December 31, 2025.

The Office segment, excluding the Bow and 100 Wynford, consists of 12 properties in Canada and three properties in select markets in the United States, comprising 4.4 million square feet, at H&R's ownership interest, with an average lease term to maturity of 5.2 years as at December 31, 2025. The Office portfolio is leased on a long-term basis to creditworthy tenants with 83.4% of office revenue from tenants with investment grade credit ratings. With 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 26 properties in Canada which are mostly single-tenant properties and one multi-tenant retail property in the United States. In addition, the Retail segment also holds a 33.1% interest in ECHO, a privately held real estate and development company consisting of 229 properties, which focuses on developing and owning a core portfolio of grocery-anchored shopping centres in the United States. In total, this segment includes 26 properties in Canada and 230 properties in the United States comprising 4.7 million square feet, at H&R's ownership interest, with an average lease term to maturity of 7.4 years as at December 31, 2025.

Further disclosure of segment information for net operating income can be found in note 23 of the REIT's Financial Statements.

### Net Operating Income by Segment

(in thousands of Canadian dollars)	Net operating income						Occupancy	
	Three months ended December 31			Year ended December 31			As at December 31	
	2025	2024	% Change	2025	2024	% Change	2025	2024
<b>Operating Segment:</b>								
Residential	\$56,980	\$52,077	9.4%	\$174,832	\$167,240	4.5%	92.1%	90.1%
Industrial	17,724	19,519	(9.2%)	73,941	79,771	(7.3%)	90.7%	98.9%
Office	71,925	71,900	—%	274,513	283,834	(3.3%)	96.0%	96.8%
Retail	28,457	28,441	0.1%	106,741	103,710	2.9%	96.8%	97.0%
The REIT's proportionate share <sup>(1)</sup>	175,086	171,937	1.8%	630,027	634,555	(0.7%)	93.1%	95.5%
Less: equity accounted investments	(31,979)	(30,788)	3.9%	(120,944)	(114,637)	5.5%	97.1%	97.8%
The REIT's Financial Statements	\$143,107	\$141,149	1.4%	\$509,083	\$519,918	(2.1%)	92.3%	95.0%
<b>Geographic Location:</b>								
Canada	68,406	71,167	(3.9%)	278,176	297,934	(6.6%)	92.3%	98.1%
United States	106,680	100,770	5.9%	351,851	336,621	4.5%	93.7%	93.1%
The REIT's proportionate share <sup>(1)</sup>	175,086	171,937	1.8%	630,027	634,555	(0.7%)	93.1%	95.5%
Less: equity accounted investments	(31,979)	(30,788)	3.9%	(120,944)	(114,637)	5.5%	97.1%	97.8%
The REIT's Financial Statements	\$143,107	\$141,149	1.4%	\$509,083	\$519,918	(2.1%)	92.3%	95.0%

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

Net operating income across all operating segments was positively impacted by the strengthening of the U.S. dollar for the year ended December 31, 2025 compared to the respective 2024 period. The average exchange rate for the three months ended

December 31, 2025 was \$1.40 for each U.S. \$1.00 (December 31, 2024 - \$1.40). The average exchange rate for the year ended December 31, 2025 was \$1.40 for each U.S. \$1.00 (December 31, 2024 - \$1.37).

Net operating income from residential properties increased by 9.4% and 4.5%, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to the lease-up of Lantower West Love and Lantower Midtown, both in Dallas, TX. Net operating income from residential properties further increased for the year ended December 31, 2025 compared to the respective 2024 period, due to the strengthening of the U.S. dollar.

Net operating income from industrial properties decreased by 9.2% and 7.3%, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to a decrease in occupancy from 98.9% as at December 31, 2024 to 90.7% as at December 31, 2025. Net operating income from industrial properties further decreased for the year ended December 31, 2025 compared to the respective 2024 period, due to properties sold. These decreases were partially offset by the following: (i) strong rental rate growth; (ii) lease commencements at 1965 and 1925 Meadowvale Boulevard in Mississauga, ON in February 2024; and (iii) a \$0.4 million lease termination fee received in Q1 2025, which impacted the year ended December 31, 2025 compared to the respective 2024 period.

Net operating income from office properties decreased by 3.3% for the year ended December 31, 2025 compared to the respective 2024 period, primarily due to properties sold.

Net operating income from retail properties increased by 0.1% and 2.9%, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to an increase in occupancy at River Landing Commercial in Miami, FL, partially offset by a decrease in net operating income due to properties sold. Net operating income from retail properties further increased for the year ended December 31, 2025 compared to the respective 2024 period, due to the strengthening of the U.S. dollar.

**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:

(in thousands of Canadian dollars)	Same-Property net operating income (cash basis) <sup>(1)</sup>						Occupancy (Same-Property)	
	Three months ended December 31			Year ended December 31			As at December 31	
	2025	2024	% Change	2025	2024	% Change	2025	2024
<b>Operating Segment:</b>								
Residential	\$44,033	\$43,559	1.1%	\$170,394	\$168,417	1.2%	92.8%	95.0%
Industrial	15,831	17,396	(9.0%)	65,343	67,851	(3.7%)	91.8%	98.9%
Office	38,553	37,998	1.5%	154,682	152,448	1.5%	96.0%	97.1%
Retail	24,731	23,698	4.4%	99,320	93,097	6.7%	97.0%	97.3%
The REIT's proportionate share <sup>(1)</sup> (page 36)	\$123,148	\$122,651	0.4%	\$489,739	\$481,813	1.6%	93.7%	97.0%
<b>Geographic Location:</b>								
Ontario	23,063	23,836	(3.2%)	94,834	96,381	(1.6%)	90.5%	97.7%
Alberta	7,131	7,382	(3.4%)	29,035	29,799	(2.6%)	96.3%	99.0%
Other Canada	5,018	5,059	(0.8%)	20,083	19,704	1.9%	100.0%	100.0%
Total – Canada	35,212	36,277	(2.9%)	143,952	145,884	(1.3%)	93.1%	98.3%
United States	87,936	86,374	1.8%	345,787	335,929	2.9%	94.3%	95.9%
The REIT's proportionate share <sup>(1)</sup> (page 36)	\$123,148	\$122,651	0.4%	\$489,739	\$481,813	1.6%	93.7%	97.0%
<b>United States in U.S. dollars:</b>								
Residential	31,452	31,125	1.1%	121,710	122,932	(1.0%)	92.8%	95.0%
Industrial	353	344	2.6%	1,399	1,356	3.2%	100.0%	100.0%
Office	16,693	16,508	1.1%	66,409	66,122	0.4%	98.9%	98.9%
Retail	14,313	13,730	4.2%	57,473	54,794	4.9%	95.8%	96.3%
U.S. total in U.S. dollars	\$62,811	\$61,707	1.8%	\$246,991	\$245,204	0.7%	94.3%	95.9%

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

Same-Property net operating income (cash basis) across all operating segments was positively impacted by the strengthening of the U.S. dollar for the year ended December 31, 2025 compared to the respective 2024 period. The average exchange rate for the three months ended December 31, 2025 was \$1.40 for each U.S. \$1.00 (December 31, 2024 - \$1.40). The average exchange rate for the year ended December 31, 2025 was \$1.40 for each U.S. \$1.00 (December 31, 2024 - \$1.37).

Same-Property net operating income (cash basis) from residential properties in U.S. dollars increased by 1.1% for the three months ended December 31, 2025 compared to the respective 2024 period, primarily due to lower property operating costs, including repairs and maintenance, insurance and bad debt expenses. This was partially offset by a decrease in rental income at H&R's sun belt properties, primarily due to a decrease in occupancy. Same-Property net operating income (cash basis) from residential properties in U.S. dollars decreased by 1.0% for the year ended December 31, 2025 compared to the respective 2024 period, primarily due to the following: (i) a decrease in rental income at H&R's sun belt properties, including higher concessions being offered to tenants; and (ii) higher operating expenses, including: utility, wages and benefits, professional fees and general expenses, which were partially offset by lower property taxes and insurance expenses.

Same-Property net operating income (cash basis) from industrial properties decreased by 9.0% and 3.7%, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to a decrease in occupancy (same-property) from 98.9% as at December 31, 2024 to 91.8% as at December 31, 2025, partially offset by strong rental rate growth. Included in Same-Property net operating income (cash basis) for the year ended December 31, 2025 was a \$0.4 million lease termination fee received in Q1 2025.

Same-Property net operating income (cash basis) from office properties increased by 1.5% and 1.5%, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to a one-time \$0.3 million restoration fee received as part of a settlement agreement at a single-tenanted property. Same-Property net operating income (cash basis) from office properties further increased for the year ended December 31, 2025 compared to the respective 2024 period, due to the strengthening of the U.S. dollar.

Same-Property net operating income (cash basis) from retail properties increased by 4.4% and 6.7%, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to an increase in occupancy at River Landing Commercial in Miami, FL. Same-Property net operating income (cash basis) from retail properties further increased for the year ended December 31, 2025 compared to the respective 2024 period, due to the strengthening of the U.S. dollar.

**NET INCOME, FFO AND AFFO FROM EQUITY ACCOUNTED INVESTMENTS<sup>(1)</sup>**

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

(in thousands of Canadian dollars)	Three months ended December 31		Year ended December 31	
	2025	2024	2025	2024
<b>Net income (loss) from equity accounted investments<sup>(1)</sup></b>	<b>(\$241,748)</b>	\$82,308	<b>(\$271,064)</b>	\$2,477
Realty taxes in accordance with IFRIC 21	<b>(1,253)</b>	(1,212)	—	—
Fair value adjustments on financial instruments and real estate assets	<b>259,699</b>	(63,965)	<b>337,464</b>	56,983
(Gain) loss on sale of real estate assets, net of related costs	<b>(10)</b>	377	<b>(1,506)</b>	1,002
(Gain) loss on foreign exchange	—	(935)	<b>879</b>	(856)
Transaction costs	<b>560</b>	—	<b>560</b>	—
Notional interest capitalization <sup>(2)</sup>	<b>1,263</b>	988	<b>4,017</b>	2,445
<b>FFO from equity accounted investments<sup>(1)</sup></b>	<b>18,511</b>	17,561	<b>70,350</b>	62,051
Straight-lining of contractual rent	<b>(588)</b>	(229)	<b>(1,518)</b>	(650)
Rent amortization of tenant inducements	<b>271</b>	287	<b>1,103</b>	1,118
Capital expenditures	<b>(1,329)</b>	(1,694)	<b>(5,460)</b>	(5,038)
Leasing expenses and tenant inducements	<b>(126)</b>	(406)	<b>(650)</b>	(1,341)
<b>AFFO from equity accounted investments<sup>(1)</sup></b>	<b>\$16,739</b>	\$15,519	<b>\$63,825</b>	\$56,140

<sup>(1)</sup> 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.

<sup>(2)</sup> Represents an adjustment to add general or indirect interest incurred in respect of properties under development held in and through equity accounted investments.

Net income (loss) from equity accounted investments decreased by \$324.1 million and \$273.5 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to fair value adjustments on real estate assets.

FFO from equity accounted investments increased by \$1.0 million and \$8.3 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to an increase in net operating income, higher finance income, lower finance costs and higher notional interest capitalization. This was 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.

<b>Finance Costs</b> (in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Finance costs – operations:						
Contractual interest on mortgages payable	<b>(\$12,260)</b>	(\$13,892)	\$1,632	<b>(\$50,701)</b>	(\$57,471)	\$6,770
Contractual interest on debentures payable	<b>(7,260)</b>	(11,334)	4,074	<b>(36,212)</b>	(43,842)	7,630
Contractual interest on unsecured term loans	<b>(6,514)</b>	(8,946)	2,432	<b>(28,313)</b>	(40,160)	11,847
Net effect of interest rate swaps on unsecured term loans	<b>146</b>	2,592	(2,446)	<b>3,035</b>	14,906	(11,871)
Bank interest and charges on lines of credit	<b>(9,685)</b>	(4,883)	(4,802)	<b>(31,238)</b>	(24,887)	(6,351)
Effective interest rate accretion <sup>(1)</sup>	<b>(971)</b>	(1,226)	255	<b>(4,256)</b>	(4,724)	468
Accretion finance expense on deferred revenue	<b>(12,378)</b>	(12,917)	539	<b>(50,335)</b>	(52,428)	2,093
Exchangeable unit distributions	<b>(2,514)</b>	(4,853)	2,339	<b>(10,355)</b>	(12,941)	2,586
Provision for expected credit loss	<b>—</b>	(5,605)	5,605	<b>(268)</b>	(37,605)	37,337
	<b>(51,436)</b>	(61,064)	9,628	<b>(208,643)</b>	(259,152)	50,509
Capitalized interest	<b>567</b>	1,485	(918)	<b>3,092</b>	12,323	(9,231)
	<b>(50,869)</b>	(59,579)	8,710	<b>(205,551)</b>	(246,829)	41,278
Finance income	<b>4,654</b>	2,959	1,695	<b>14,498</b>	11,577	2,921
Fair value adjustment on financial instruments	<b>24,784</b>	39,017	(14,233)	<b>(17,498)</b>	(8,452)	(9,046)
	<b>(\$21,431)</b>	(\$17,603)	(\$3,828)	<b>(\$208,551)</b>	(\$243,704)	\$35,153

<sup>(1)</sup> In addition, H&R's share of effective interest rate accretion from equity accounted investments for the three months ended December 31, 2025 and 2024 was (\$446) and (\$428), respectively. H&R's share of effective interest rate accretion from equity accounted investments for the year ended December 31, 2025 and 2024 was (\$1,832) and (\$1,671), respectively.

The decrease in contractual interest on mortgages payable of \$1.6 million and \$6.8 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods is primarily due to mortgages repaid.

The decrease in contractual interest on debentures payable of \$4.1 million and \$7.6 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods is primarily due to the repayment of the \$400.0 million Series Q Senior Debentures in June 2025, which bore interest at 4.07%. Contractual interest on debentures payable for the year ended December 31, 2025 compared to the respective 2024 period further decreased due to the repayment of the \$350.0 million Series N Senior Debentures in January 2024, which bore interest at 3.37%, partially offset by the issuance of the \$250.0 million Series T Senior Debentures in February 2024 bearing interest at 5.46%.

The increase in bank interest and charges on lines of credit of \$4.8 million and \$6.4 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods is primarily due to the REIT drawing on its lines of credit to repay the \$400.0 million outstanding Series Q Senior Debentures in June 2025 and fund construction financing to the REDT JV LP, partially offset by lower interest rates.

The accretion finance expense on deferred revenue for the three months and year ended December 31, 2025 and 2024 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 decrease in exchangeable unit distributions of \$2.3 million and \$2.6 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods is primarily due to a \$0.12 per Unit special cash distribution to unitholders of record on December 31, 2024 compared to no special cash distribution in 2025.

The provision for expected credit loss for the three months and year ended December 31, 2024 of \$5.6 million and \$37.6 million, respectively, related to two loans: (i) a vendor take-back mortgage, secured against F1RST Tower, an office property in Calgary, AB, which was subsequently sold in April 2025; and (ii) a vendor take-back mortgage secured against 160 Elgin St., an office property in Ottawa, ON which was subsequently sold in October 2024.

The decrease in capitalized interest of \$0.9 million and \$9.2 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods is primarily due to the following: (i) Lantower West Love and Lantower Midtown reaching practical completion with both properties being transferred from properties under development to investment properties in Q3 2024 and Q4 2024, respectively; and (ii) 6900 Maritz Drive being transferred from properties under development to investment properties in Q2 2025.

The increase in finance income of \$1.7 million and \$2.9 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods is primarily due to interest earned from the REIT providing a construction loan to the REDT JV LP.

The fair value adjustment on financial instruments of \$24.8 million and (\$17.5) million, respectively, for the three months and year ended December 31, 2025 is due to: (i) the unrealized gain (loss) on fair value of exchangeable units of \$17.6 million and (\$16.8) million, respectively, which are fair valued at the end of each reporting period based on the quoted price of Units on the TSX; and (ii) a net unrealized gain on derivative instruments of \$7.2 million and \$0.9 million, respectively, which is further described in the "Derivative Instruments" section of this MD&A. In addition, the year ended December 31, 2025 included (\$1.5) million dilution of an investment in associate.

<b>Trust Expenses, Net</b> (in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
General expenses	<b>(\$7,715)</b>	(\$8,037)	\$322	<b>(\$32,350)</b>	(\$32,314)	(\$36)
Fees earned	<b>4,795</b>	3,918	877	<b>22,883</b>	15,640	7,243
Unit-based compensation expense	<b>(2,226)</b>	(1,263)	(963)	<b>(6,746)</b>	(5,697)	(1,049)
Fair value adjustment to unit-based compensation	<b>1,260</b>	3,467	(2,207)	<b>(3,168)</b>	1,791	(4,959)
Trust expenses, net	<b>(\$3,886)</b>	(\$1,915)	(\$1,971)	<b>(\$19,381)</b>	(\$20,580)	\$1,199

Fees earned increased by \$0.9 million and \$7.2 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to H&R earning fees from the REDT JV LP and development fees earned from the construction of two industrial properties. Fees earned include property management fees, leasing fees, financing fees and construction fees relating to properties either co-owned or third party owned. The timing of certain fees earned are impacted by property and development activity.

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.

<b>Fair Value Adjustment on Real Estate Assets</b> (in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
<b>Operating Segment:</b>						
Residential	<b>(\$302,175)</b>	\$56,099	(\$358,274)	<b>(\$361,874)</b>	(\$39,312)	(\$322,562)
Industrial	<b>(16,975)</b>	5,225	(22,200)	<b>(85,971)</b>	(24,872)	(61,099)
Office	<b>(126,531)</b>	(36,869)	(89,662)	<b>(563,130)</b>	(275,732)	(287,398)
Retail	<b>(11,845)</b>	(14,385)	2,540	<b>(96,660)</b>	(114,684)	18,024
Land and properties under development	<b>(18,437)</b>	485	(18,922)	<b>(198,588)</b>	(27,178)	(171,410)
Fair value adjustment on real estate assets per the REIT's proportionate share <sup>(1)</sup>	<b>(475,963)</b>	10,555	(486,518)	<b>(1,306,223)</b>	(481,778)	(824,445)
Less: equity accounted investments	<b>259,585</b>	(63,820)	323,405	<b>336,948</b>	55,894	281,054
Fair value adjustment on real estate assets per the REIT's Financial Statements	<b>(\$216,378)</b>	(\$53,265)	(\$163,113)	<b>(\$969,275)</b>	(\$425,884)	(\$543,391)

<sup>(1)</sup> 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.

During the three months and year ended December 31, 2025, the fair value adjustments on real estate assets were primarily due to one office property and one residential property, both in Long Island City, NY. These adjustments were driven by feedback from the Strategic Review process and uncertainty surrounding the change in municipal political policies and the potential impact on New York City, its residents and investors.

During the year ended December 31, 2025, additional fair value adjustments on real estate assets were primarily due to the following: (i) properties classified as held for sale, to be in line with the expected selling prices of these properties; (ii) a reduction in valuations of certain industrial properties due to lower market rent assumptions for renewals and vacant properties; and (iii) a reduction in valuations of the REIT's U.S. land parcels, primarily due to softening economic conditions for development projects as well as persistently high interest rates for construction financing, resulting in higher construction costs.

Refer to the "Valuation of Real Estate Assets" section of this MD&A for further information.

<b>Gain (Loss) on Sale of Real Estate Assets, Net of Related Costs</b> (in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Gain (loss) on sale of real estate assets, net of related costs	<b>(\$1,054)</b>	\$268	(\$1,322)	<b>(\$2,254)</b>	(\$11,154)	\$8,900

Refer to the "Investment Properties" and "Properties Under Development" sections of this MD&A for further details on real estate asset dispositions.

Included in the gain (loss) on sale of real estate assets, net of related costs for the year ended December 31, 2024, are mortgage prepayment penalty costs of approximately \$5.2 million.

<b>Transaction Costs</b> (in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Transaction costs	<b>(\$2,481)</b>	\$—	(\$2,481)	<b>(\$12,740)</b>	\$—	(\$12,740)

During the three months and year ended December 31, 2025, H&R incurred \$2.5 million and \$12.7 million, respectively, in transaction costs relating to the Strategic Review process, which primarily consists of legal and advisor fees for the REIT and the Special Committee.

Refer to the "Strategic Review Process" section of this MD&A for further information.

<b>Income Tax (Expense) Recovery</b> (in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Current U.S. income tax expense	<b>(256)</b>	(306)	50	<b>(1,651)</b>	(1,462)	(189)
Deferred income tax (expense) recovery applicable to U.S. Holdco	<b>93,819</b>	(19,754)	113,573	<b>184,269</b>	60,675	123,594
Income tax (expense) recovery in the determination of net income (loss)	<b>\$93,563</b>	(\$20,060)	\$113,623	<b>\$182,618</b>	\$59,213	\$123,405

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) recovery applicable to U.S. Holdco increased by \$113.6 million and \$123.6 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, 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 statements of financial position date. Deferred income tax relating to items recognized in equity are also recognized in equity. As at December 31, 2025, H&R had net deferred tax liabilities of \$212.8 million (December 31, 2024 - \$413.2 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 following: (i) the Bow and 100 Wynford non-cash rental and accretion adjustments; and (ii) provision for expected credit loss, which are further explained under the “*Non-GAAP Measures*” section of this MD&A.

<b>FFO and AFFO</b> (in thousands of Canadian dollars except per Unit amounts)	Three months ended December 31		Year ended December 31	
	2025	2024	2025	2024
<b>Net income (loss) per the REIT's Financial Statements</b>	<b>(\$250,308)</b>	\$130,882	<b>(\$791,564)</b>	(\$119,714)
Realty taxes in accordance with IFRIC 21	(14,528)	(13,474)	—	—
FFO adjustments from equity accounted investments (page 40)	260,259	(64,747)	341,414	59,574
Exchangeable unit distributions	2,514	4,853	10,355	12,941
Provision for expected credit loss	—	5,605	268	37,605
Fair value adjustments on financial instruments and real estate assets	191,594	14,248	986,773	434,336
Fair value adjustment to unit-based compensation	(1,260)	(3,467)	3,168	(1,791)
(Gain) loss on sale of real estate assets, net of related costs	1,054	(268)	2,254	11,154
Transaction costs	2,481	—	12,740	—
Deferred income tax expense (recovery) applicable to U.S. Holdco	(93,819)	19,754	(184,269)	(60,675)
Incremental leasing costs	617	611	2,363	2,305
The Bow and 100 Wynford non-cash rental income and accretion adjustments	(11,326)	(10,580)	(44,224)	(41,308)
<b>FFO<sup>(1)</sup></b>	<b>\$87,278</b>	\$83,417	<b>\$339,278</b>	\$334,427
Straight-lining of contractual rent	(2,696)	(3,298)	(12,380)	(17,606)
Rent amortization of tenant inducements	1,117	1,167	4,508	4,574
Capital expenditures	(9,799)	(13,107)	(41,995)	(39,588)
Leasing expenses and tenant inducements	(575)	(3,932)	(1,938)	(6,629)
Incremental leasing costs	(617)	(611)	(2,363)	(2,305)
AFFO adjustments from equity accounted investments (page 40)	(1,772)	(2,042)	(6,525)	(5,911)
<b>AFFO<sup>(1)</sup></b>	<b>\$72,936</b>	\$61,594	<b>\$278,585</b>	\$266,962
Basic and diluted weighted average number of Units and exchangeable units (in thousands of Units) <sup>(2)</sup>	279,993	279,990	279,990	279,933
FFO per basic and diluted Unit <sup>(3)</sup>	\$0.312	\$0.298	\$1.212	\$1.195
AFFO per basic and diluted Unit <sup>(3)</sup>	\$0.260	\$0.220	\$0.995	\$0.954
Cash distributions per Unit	\$0.150	\$0.150	\$0.600	\$0.600
Special December cash distribution per Unit	\$—	\$0.120	\$—	\$0.120
Payout ratio as a % of FFO <sup>(3)</sup>	48.1%	90.6%	49.5%	60.3%
Payout ratio as a % of AFFO <sup>(3)</sup>	57.7%	122.7%	60.3%	75.5%

<sup>(1)</sup> These are non-GAAP measures. Refer to the “*Non-GAAP Measures*” section of this MD&A.

<sup>(2)</sup> For the three months and year ended December 31, 2025, included in the weighted average and diluted weighted average number of Units are exchangeable units of 17,402,637 and 17,430,809, respectively. For the three months and year ended December 31, 2024, included in the weighted average and diluted weighted average number of Units are exchangeable units of 17,974,186.

<sup>(3)</sup> These are non-GAAP ratios. Refer to the “*Non-GAAP Measures*” section of this MD&A.

FFO increased by \$3.9 million for the three months ended December 31, 2025 compared to the respective 2024 period, primarily due to an increase in net operating income and higher finance income. FFO increased by \$4.9 million for the year ended December 31, 2025 compared to the respective 2024 period, primarily due to the following: (i) lower trust expenses; (ii) higher finance income;

and (iii) higher notional interest capitalization within equity accounted investments. This was partially offset by a decrease in net operating income.

AFFO increased by \$11.3 million for the three months ended December 31, 2025 compared to the respective 2024 period, primarily due to the increase in FFO noted above as well as lower capital expenditures, leasing expenses and tenant inducements. AFFO increased by \$11.6 million for the year ended December 31, 2025 compared to the respective 2024 period, primarily due to the increase in FFO noted above as well as lower leasing expenses and tenant inducements. This was partially offset by a decrease in net operating income and higher capital expenditures.

### 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:

(in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
<b>Residential:</b>						
Capital expenditures	<b>\$8,951</b>	\$10,315	(\$1,364)	<b>\$40,057</b>	\$32,641	\$7,416
Leasing expenses and tenant inducements	<b>(1)</b>	129	(130)	<b>121</b>	129	(8)
<b>Industrial:</b>						
Capital expenditures	<b>345</b>	1,655	(1,310)	<b>1,097</b>	4,222	(3,125)
Leasing expenses and tenant inducements	<b>426</b>	733	(307)	<b>913</b>	3,056	(2,143)
<b>Office:</b>						
Capital expenditures	<b>1,050</b>	853	197	<b>2,270</b>	3,428	(1,158)
Leasing expenses and tenant inducements	<b>88</b>	3,178	(3,090)	<b>940</b>	3,482	(2,542)
<b>Retail:</b>						
Capital expenditures	<b>782</b>	1,978	(1,196)	<b>4,031</b>	4,335	(304)
Leasing expenses and tenant inducements	<b>188</b>	298	(110)	<b>614</b>	1,303	(689)
Total at the REIT's proportionate share <sup>(1)</sup>	<b>11,829</b>	19,139	(7,310)	<b>50,043</b>	52,596	(2,553)
Less: equity accounted investments	<b>(1,455)</b>	(2,100)	645	<b>(6,110)</b>	(6,379)	269
Total per the REIT's Financial Statements <sup>(2)</sup>	<b>\$10,374</b>	\$17,039	(\$6,665)	<b>\$43,933</b>	\$46,217	(\$2,284)

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

<sup>(2)</sup> Equal to the sum of capital expenditures and leasing expenses and tenant inducements per the REIT's Financial Statements.

Capital expenditures spent in the Residential segment for the three months and year ended December 31, 2025 included the following: (i) \$1.5 million and \$7.5 million, respectively, relating to capital turn expenses across all properties including interior painting, flooring, and HVAC replacements; (ii) \$2.2 million and \$11.8 million, respectively, relating to revenue enhancing projects such as private yards, energy efficiency projects such as LED lighting, and in-unit value-add repositioning initiatives undertaken on two of H&R's oldest residential rental communities; and (iii) \$5.2 million and \$20.7 million, respectively, relating to asset preservation projects, including exterior painting at five properties, clubhouse improvements at several properties, along with landscaping and common area improvements across H&R's portfolio.

## 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	Year ended	Year ended	Year ended
	December 31	December 31	December 31	December 31
	2025	2025	2024	2023
Cash provided by operations	\$27,073	\$188,430	\$274,070	\$294,625
Net income (loss)	(250,308)	(791,564)	(119,714)	61,690
Distributions to unitholders	39,484	157,639	188,623	184,372
(Shortfall) excess cash provided by operations over total distributions	(12,411)	30,791	85,447	110,253
Shortfall of net income (loss) over total distributions	(289,792)	(949,203)	(308,337)	(122,682)

Distributions exceeded cash provided by operations by \$12.4 million for the three months ended December 31, 2025, which did not represent a return of capital but rather was primarily due to a decrease in accounts payable and accrued liabilities of \$41.4 million. This decrease was primarily due to H&R property tax bills for the year ended December 31, 2025 relating to properties located in Texas and Florida accrued as at September 30, 2025 and paid in Q4 2025, as well as a reduction in costs to complete for developments completed. The shortfall of cash provided by operations over distributions for the three months ended December 31, 2025 was funded by debt. Cash provided by operations exceeded distributions for the remaining periods noted above.

Distributions exceeded net income (loss) for all periods noted above primarily due to non-cash items. Non-cash items relating to an adjustment to the carrying value of mortgages receivable, 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 (loss) and have no impact on cash available to pay distributions.

### Major Cash Flow Components

(in thousands of Canadian dollars)	Three months ended December 31			Year ended December 31		
	2025	2024	Change	2025	2024	Change
Cash and cash equivalents, beginning of period	\$57,120	\$68,429	(\$11,309)	\$100,354	\$64,111	\$36,243
Cash flows from operations	27,073	82,762	(55,689)	188,430	274,070	(85,640)
Cash flows (used for) from investing	(13,081)	39,279	(52,360)	(59,185)	173,152	(232,337)
Cash flows used for financing	(18,975)	(90,116)	71,141	(177,462)	(410,979)	233,517
Cash and cash equivalents, end of year	\$52,137	\$100,354	(\$48,217)	\$52,137	\$100,354	(\$48,217)

Cash flows from operations decreased by \$55.7 million and \$85.6 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to non-cash working capital.

Cash flows (used for) from investing decreased by approximately \$52.4 million and \$232.3 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due to advances, as well as less repayments of mortgages receivable and lower proceeds on disposition of investment properties. This was partially offset by less cash spent on properties under development. Cash flows (used for) from investing further decreased for the year ended December 31, 2025 compared to the respective 2024 period due to proceeds from the sale of U.S. properties being released under Section 1031 of the U.S. Internal Revenue Code throughout 2024.

Cash flows used for financing increased by approximately \$71.1 million and \$233.5 million, respectively, for the three months and year ended December 31, 2025 compared to the respective 2024 periods, primarily due an increase in lines of credit and lower mortgage principal repayments, partially offset by a decrease in debentures payable.

**Funding of Future Commitments and Debt Profile**

As at December 31, 2025, H&R had cash and cash equivalents of \$52.1 million, \$316.8 million available under its unused lines of credit and an unencumbered property pool of approximately \$3.9 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
2026	5	\$81,950	3.3%	\$286,131	29%
2027	10	429,877	4.1%	972,421	44%
2028	12	493,381	4.1%	1,027,509	48%
2029	3	85,018	3.5%	183,491	46%
2030	1	47,660	3.5%	104,812	45%
	31	\$1,137,886	4.0%	\$2,574,364	44%

The mortgages outstanding as at December 31, 2025 bear interest at a weighted average rate of 4.0% (December 31, 2024 - 4.0%) and mature between 2026 and 2030 (December 31, 2024 – mature between 2025 and 2030). The weighted average term to maturity of the REIT's mortgages is 2.1 years (December 31, 2024 - 2.9 years). As at December 31, 2025, the non-recourse mortgages to total mortgages ratio was 60.4% (December 31, 2024 - 63.3%).

					December 31 2025	December 31 2024
<u>Unsecured Senior Debentures</u> (in thousands of Canadian Dollars)	Maturity	Contractual Interest Rate	Effective Interest Rate	Principal Amount	Carrying Value	Carrying Value
Senior Debentures						
Series Q Senior Debentures	June 16, 2025 <sup>(1)</sup>	4.07%	4.19%	\$—	\$—	\$399,794
Series R Senior Debentures	June 2, 2026	2.91%	3.00%	250,000	249,902	249,674
Series S Senior Debentures	February 19, 2027	2.63%	2.72%	300,000	299,725	299,491
Series T Senior Debentures	February 28, 2029	5.46%	5.56%	250,000	249,209	248,999
		3.60%	3.69%	\$800,000	\$798,836	\$1,197,958

<sup>(1)</sup> In June 2025, the REIT repaid all of its outstanding Series Q senior debentures upon maturity for a cash payment of \$400.0 million.

<u>Unsecured Term Loans</u> (in thousands of Canadian Dollars)	Maturity Date	December 31 2025	December 31 2024
Unsecured term loan #1 <sup>(1)</sup>	January 6, 2026	\$250,000	\$250,000
Unsecured term loan #2 <sup>(2)</sup>	November 30, 2026	125,000	125,000
Unsecured term loan #3 <sup>(3)</sup>	March 7, 2027	250,000	250,000
		\$625,000	\$625,000

<sup>(1)</sup> In January 2026, the REIT repaid the unsecured term loan with a cash payment of \$250.0 million, and the interest rate swap fixing the interest rate at 4.14% per annum matured.

<sup>(2)</sup> In January 2026, the REIT repaid the unsecured term loan with a cash payment of \$125.0 million, and the interest rate swap fixing the interest rate at 5.19% per annum was terminated.

<sup>(3)</sup> The REIT entered into an interest rate swap to fix the interest rate at 3.39% per annum. The swap matures on May 7, 2030.

H&R REIT - MD&A - December 31, 2025

<b>Lines of Credit</b> <b>(in thousands of Canadian Dollars)</b>	Maturity Date	Total Facility	Amount Drawn	Outstanding Letters of Credit	Available Balance
<b>Revolving unsecured operating lines of credit:</b>					
Revolving unsecured line of credit	September 20, 2027	\$150,000	(\$141,000)	\$—	\$9,000
Revolving unsecured line of credit	December 14, 2027	230,000	—	—	230,000
Revolving unsecured line of credit	December 14, 2029	520,000	(467,660)	(502)	51,838
Revolving unsecured letter of credit facility		60,000	—	(34,025)	25,975
Sub-total		960,000	(608,660)	(34,527)	316,813
<b>Non-revolving secured operating line of credit<sup>(1)</sup></b>					
REIT and CrestPSP non-revolving secured line of credit	March 14, 2026	267,387	(267,387)	—	—
<b>December 31, 2025</b>		<b>\$1,227,387</b>	<b>(\$876,047)</b>	<b>(\$34,527)</b>	<b>\$316,813</b>
December 31, 2024		\$1,228,834	(\$337,834)	(\$47,439)	\$843,561

<sup>(1)</sup> Secured by certain investment properties.

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 December 31, 2025 are U.S. dollar denominated amounts of \$18.0 million (December 31, 2024 - U.S. nil). The Canadian equivalent of these amounts are \$24.7 million (December 31, 2024 - nil).

**Contractual Obligations**

The following is a summary as at December 31, 2025 of material contractual obligations including payments due for the next five years and thereafter:

<b>Contractual Obligations<sup>(1)</sup></b> <b>(in thousands of Canadian dollars)</b>	Payments Due by Period					Total
	2026	2027	2028	2029-2030	2031 and thereafter	
Mortgages payable <sup>(2)</sup>	\$116,469	\$449,366	\$504,068	\$135,445	\$—	\$1,205,348
Senior debentures	250,000	300,000	—	250,000	—	800,000
Unsecured term loans <sup>(3)</sup>	375,000	250,000	—	—	—	625,000
Lines of credit	267,387	141,000	—	467,660	—	876,047
Committed Developments <sup>(4)</sup>	85,718	—	—	—	—	85,718
<b>Total contractual obligations</b>	<b>\$1,094,574</b>	<b>\$1,140,366</b>	<b>\$504,068</b>	<b>\$853,105</b>	<b>\$—</b>	<b>\$3,592,113</b>

<sup>(1)</sup> The amounts in the table above are the principal amounts due under the contractual agreements.

<sup>(2)</sup> Non-recourse mortgages to total mortgages ratio is 60.4%.

<sup>(3)</sup> In January 2026, the REIT repaid the two unsecured term loans totalling \$375.0 million.

<sup>(4)</sup> Committed Developments consists of the REDT Projects. Refer to the "Equity Accounted Investments" section of the MD&A for further information.

### **Capital Resources**

As at December 31, 2025, H&R had cash and cash equivalents of \$52.1 million and amounts available under its lines of credit totalling \$316.8 million. Subject to market conditions, management expects to be able to meet all of the REIT's ongoing contractual obligations. As at December 31, 2025, 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 December 31, 2025, H&R had 74 unencumbered properties (including properties under development), with a fair value of approximately \$3.9 billion. As at December 31, 2025, H&R had four properties valued at approximately \$297.0 million which are encumbered with mortgages totalling \$68.4 million. In this pool of assets, the average loan to value ratio is 23.0%, the minimum loan to value ratio is 5.7% and the maximum loan to value ratio is 25.3%. The weighted average remaining term to maturity of this pool of mortgages is 1.0 year.

### **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 Stable trends as at December 31, 2025. 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 December 31, 2025, H&R had outstanding letters of credit totalling \$34.5 million (December 31, 2024 - \$47.4 million), including \$20.2 million (December 31, 2024 - \$20.0 million) which has been pledged as security for certain mortgages payable. The letters of credit may be secured by certain investment properties.

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 December 31, 2025, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was \$94.3 million, which expire between 2027 and 2030 (December 31, 2024 - \$97.5 million – which expire between 2027 and 2030).

In addition, the REIT provides guarantees on behalf of the co-owners of certain of Primaris REIT's properties. As at December 31, 2025, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was \$65.1 million, which expires in 2027 (December 31, 2024 - \$67.2 million, which expires in 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.

On May 8, 2025, the REIT entered into a construction loan agreement with REDT JV LP for a principal amount of up to U.S. \$136.2 million, bearing interest at 9.0% per annum (the "REDT Loan"). The REDT Loan is interest only and prepayable at any time with the REIT's consent. The REDT Loan is secured by a pledge of the ownership interests in the entities that directly hold title and beneficial ownership to the REDT Projects, and matures on May 8, 2029, subject to two 1-year extensions, subject to the REIT's approval in its sole discretion. As at December 31, 2025, the balance outstanding on the REDT Loan was U.S. \$73.6 million (Canadian equivalent - \$100.9 million), therefore the remaining balance that the REIT is committed to fund is U.S. \$62.6 million (Canadian equivalent - \$85.7 million).

The REIT provided a guarantee on behalf of its Central Pointe joint venture partners for a maximum amount of U.S. \$52.9 million (Canadian equivalent - \$72.5 million), to be utilized upon any drawdowns under the Central Pointe construction financing facility. As at December 31, 2025, no amounts had been drawn on this facility, and accordingly, the REIT had no guarantee exposure.

**RELATED PARTY TRANSACTIONS**

The REIT's related parties include joint ventures, associates or entities that are controlled or significantly influenced by the REIT. Activity and transactions with joint ventures and associates are disclosed in note 4 of the REIT's Financial Statements.

Included in transaction costs for the three months and year ended December 31, 2025 are \$0.2 million and \$0.9 million, respectively, primarily for legal services and Special Committee fees (December 31, 2024 - nil).

The REIT has entered into various transactions with the REDT, including: (i) a development agreement; (ii) an asset management agreement; and (iii) the REDT Loan. In addition, the REIT has entered into a mortgage receivable with Sunny Creek, a site located in Carlsbad, CA, in which the REIT has a 33.3% non-managing interest and a development agreement with 560 & 600 Slate Drive, a site located in Mississauga, ON, in which the REIT has a 50.0% managing ownership interest. The following is a summary of fees earned pursuant to these agreements:

(in thousands of Canadian dollars)	Three months ended		Years ended	
	December 31		December 31	
	2025	2024	2025	2024
Trust expenses, net				
Development management fee earned	\$1,299	\$441	\$7,440	\$1,497
Asset management fees earned	182	180	728	530
Financing fees earned	52	—	2,054	—
	<b>1,533</b>	621	<b>10,222</b>	2,027
Finance income - interest earned	<b>2,310</b>	310	<b>4,748</b>	1,170
	<b>\$3,843</b>	\$931	<b>\$14,970</b>	\$3,197

Amounts due from related parties recorded in other assets include:

	December 31	December 31
	2025	2024
REDT Loan receivable	\$100,876	\$—
Sunny Creek mortgage receivable	20,413	14,304
Interest receivable	373	—
Development management fee receivable	335	—
Asset management fee receivable	1,243	557
	<b>\$123,240</b>	\$14,861

All of the above transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

**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.

Where appropriate, H&R uses forward exchange contracts to lock-in foreign exchange rates. H&R had one forward exchange contract outstanding as at December 31, 2025, noted in the table below. This strategy manages risks related to foreign exchange rates on transactions that will occur in the future.

At the end of each reporting period, an interest rate swap and foreign exchange contract is marked-to-market, resulting in an unrealized gain or loss recorded in net income (loss).

During 2025 and 2024, H&R had the following swaps outstanding:

(in thousands of Canadian dollars)	Maturity	Fair value asset (liability)*		Net unrealized gain on derivative instruments		Net unrealized gain (loss) on derivative instruments	
		December 31	December 31	Three months ended December 31		Years ended December 31	
		2025	2024	2025	2024	2025	2024
Foreign exchange hedge <sup>(1)</sup>	April 10, 2024	\$—	\$—	\$—	\$—	\$—	(\$1,733)
Foreign exchange hedge <sup>(2)</sup>	October 10, 2024	—	—	—	(89)	—	—
Term loan interest rate swap <sup>(3)</sup>	January 6, 2026	10	1,695	(182)	(996)	(1,685)	(6,476)
Foreign exchange hedge <sup>(4)</sup>	January 30, 2026	4,260	—	4,260	—	4,260	—
Debt interest rate swap <sup>(5)</sup>	September 29, 2027	(4,352)	(4,899)	1,122	598	547	(3,670)
Term loan interest rate swap <sup>(6)</sup>	May 7, 2030	10,041	12,298	2,009	679	(2,257)	(7,717)
		<b>\$9,959</b>	<b>\$9,094</b>	<b>\$7,209</b>	<b>\$192</b>	<b>\$865</b>	<b>(\$19,596)</b>

<sup>(1)</sup> Foreign exchange rate fixed at \$1.38 on U.S. \$10.0 million, monthly. The hedge terminated in April 2024.

<sup>(2)</sup> Foreign exchange rate fixed at \$1.37 on U.S. \$5.0 million, monthly. The hedge terminated in October 2024.

<sup>(3)</sup> Interest rate fixed at 4.14% per annum for the \$250.0 million term loan. The interest rate swap terminated in January 2026.

<sup>(4)</sup> Foreign exchange rate fixed at \$1.39 on U.S. \$220.0 million. The hedge terminated in January 2026.

<sup>(5)</sup> Interest rate fixed at 5.19% per annum on \$250.0 million of variable rate debt, which included a \$125.0 million unsecured term loan. The hedge was settled in January 2026.

<sup>(6)</sup> Interest rate fixed at 3.39% 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 of \$14.3 million (December 31, 2024 - \$14.0 million) are recorded in other assets and derivative instruments in a liability position of \$4.4 million (December 31, 2024 - \$4.9 million) are recorded in accounts payable and accrued liabilities.

## SELECTED FINANCIAL INFORMATION

### Summary of Annual Information

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

	Year Ended December 31	Year Ended December 31	Year Ended December 31
(in thousands of Canadian dollars except per Unit amounts)	2025	2024	2023
Rentals from Investment properties	<b>\$815,128</b>	\$816,990	\$847,146
Net income (loss) from equity accounted investments	<b>(271,064)</b>	2,477	145,459
Finance income	<b>14,498</b>	11,577	13,849
Net income (loss)	<b>(791,564)</b>	(119,714)	61,690
Total comprehensive income (loss) attributable to unitholders	<b>(1,011,137)</b>	273,578	(69,512)
Total assets	<b>9,108,286</b>	10,620,487	10,777,643
Total liabilities	<b>4,972,568</b>	5,341,744	5,585,268
Cash Distributions per Unit	<b>\$0.600</b>	\$0.600	\$0.600
Special December cash distribution per Unit	<b>\$—</b>	\$0.120	\$0.100

**Summary of Quarterly Information**

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

<b>(in thousands of Canadian dollars)</b>	<b>Q4 2025</b>	Q3 2025	Q2 2025	Q1 2025
Rentals from investment properties	<b>\$203,750</b>	\$201,728	\$204,011	\$205,639
Net income (loss) from equity accounted investments	<b>(241,748)</b>	(46,014)	26,780	(10,082)
Net loss	<b>(250,308)</b>	(322,868)	(166,370)	(52,018)
Total comprehensive loss attributable to unitholders	<b>(307,605)</b>	(223,190)	(428,262)	(52,080)

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Rentals from investment properties	\$202,350	\$200,344	\$204,775	\$209,521
Net income (loss) from equity accounted investments	82,308	16,478	(108,859)	12,550
Net income (loss)	130,882	(9,722)	(272,666)	31,792
Total comprehensive income (loss) attributable to unitholders	424,184	(72,758)	(208,218)	130,370

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 \$2.0 million in Q4 2025 compared to Q3 2025 primarily due to the strengthening of the U.S. dollar. The average exchange rate for the three months ended December 31, 2025 was \$1.40 for each U.S. \$1.00 (September 30, 2025 - \$1.38).

Net loss from equity accounted investments decreased by \$195.7 million in Q4 2025 compared to Q3 2025 primarily due to fair value adjustments on real estate assets.

Net loss increased by \$72.6 million in Q4 2025 compared to Q3 2025 primarily due to fair value adjustments on financial instruments and real estate assets, as well as an increase in deferred income tax recoveries. This was partially offset by net loss from equity accounted investments noted above.

Total comprehensive loss attributable to unitholders decreased by \$84.4 million in Q4 2025 compared to Q3 2025 primarily due to an unrealized foreign currency loss on translation of U.S. denominated foreign operations of \$57.3 million in Q4 2025, compared to an unrealized gain of \$99.7 million in Q3 2025. This was partially offset by the increase in net income (loss) noted above.

**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 the 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 18 and 34 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 of 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, 2024. 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 Transactions, which are:

- Acquisitions, dispositions, and transfers of investment properties to or from properties under development during the two-year period ended December 31, 2025.

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 36 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" and "provision for expected credit loss".

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.

In order to facilitate certain property dispositions, the REIT provided purchasers with mortgages secured against the property sold. These mortgages have been included in mortgages receivable and represent a component of proceeds on the sale of investment properties. H&R does not view a provision for expected credit loss or a loss on modification of mortgage receivable as an operating item, just as it does not view a gain or loss on sale as an operating item. Therefore, the REIT has adjusted the provision for expected credit loss, which has been included within finance costs - operations in calculating FFO.

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 44 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, net (excluding the fair value adjustment to unit-based compensation) as well as transaction costs 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 29 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, including the REIT's proportionate share of ECHO's debt. Total assets includes the REIT's proportionate share of ECHO's assets and has 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 statements 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 17 and 27 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 and AFFO per Basic and Diluted Unit**

FFO and AFFO per basic and diluted 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, (including special 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 pages 17 and 44, 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 the fair value of 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 33 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.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the REIT's Financial Statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the REIT's Financial Statements and reported amounts of revenue and expenses during the reporting period.

For a description of the accounting policies that management believes are subject to greater estimation and judgement, as well as other accounting policies, refer to notes 1 and 2 of the REIT's Financial Statements.

### Use of Estimates

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the fair value of real estate assets.

### Use of Judgements

- Valuations of real estate assets

Real estate assets, which consist of investment properties and properties under development, are carried on the consolidated statements of financial position at fair value, as determined by either external independent appraisers or by the REIT's internal valuation team. The valuations are based on a number of methods and significant assumptions, such as capitalization rates, terminal capitalization rates, discount rates, estimates of future cash flows and market values per unit of measure. Valuation of real estate assets is one of the principal estimates and uncertainties in the REIT's Financial Statements and this MD&A. Refer to note 3 of the REIT's Financial Statements for further information on estimates and significant assumptions made in the determination of the fair value of real estate assets. Judgement is applied in determining whether certain costs are additions to the carrying value of the real estate assets, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development properties.

- Leases

H&R makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms and long-term ground leases where H&R is the lessor, are operating or finance leases. H&R has determined that all of its leases, where the REIT is the lessor, are operating leases.

- Income taxes

H&R is a mutual fund trust and a real estate investment trust pursuant to the Tax Act. Under current tax legislation, H&R is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. H&R is a real estate investment trust if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "REIT Conditions"). H&R has reviewed the REIT Conditions and has assessed its interpretation and application to the REIT's assets and revenue, and the REIT has determined that it qualifies as a real estate investment trust pursuant to the Tax Act. H&R expects to continue to qualify as a real estate investment trust; however, should it no longer qualify, H&R would be subject to tax on its taxable income distributed to unitholders.

- Impairment of equity accounted investments

H&R determines at each reporting date whether there is any objective evidence that the equity accounted investments are impaired. If there is an indication of impairment in respect of the REIT's investment in associates or joint ventures, the whole carrying value of the investment will be tested for impairment as a single asset under International Accounting Standard 36, *Impairment of Assets* by comparing the recoverable amount with its carrying value. Any resulting impairment loss will be charged against the carrying value of the investment in associates or joint ventures and recognized in net income.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

H&R's CEO and CFO have designed, or caused to be designed under their direct supervision, the applicable disclosure controls and procedures (as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109")), adopted by the Canadian Securities Administrators to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. H&R's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the REIT's disclosure controls and procedures as at December 31, 2025, and based upon that evaluation have each concluded that such disclosure controls and procedures were appropriately designed and were operating

effectively as at December 31, 2025. The REIT's Financial Statements and this MD&A were reviewed and approved by H&R's Audit Committee and the Board prior to this publication.

H&R's management reviews its respective internal control over financial reporting on an annual basis. The REIT's management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of internal control over financial reporting as at December 31, 2025 using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (2013 COSO Framework). Based on this evaluation, the CEO and the CFO have concluded that internal control over financial reporting was effective as of December 31, 2025. No changes were made to H&R's internal control over financial reporting during the three-month period ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

H&R's management, including the CEO and CFO, does not expect that the REIT's controls and procedures will prevent or detect all misstatements due to error or fraud. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the REIT have been detected. H&R is continually evolving and enhancing its systems of controls and procedures.

## **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 outlined below and in H&R's Annual Information Form.

### **Real Property Ownership**

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributable cash and H&R's income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which H&R has an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting H&R's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which H&R has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to H&R.

The ability to rent unleased space in the properties in which H&R has an interest will be affected by many factors, and costs may be incurred in making improvements or repairs to property required by a new tenant. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risks. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on H&R's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If H&R is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

H&R may, in the future, be exposed to a general decline of demand by tenants for space in properties including for example, the impact of hybrid working and working from home with respect to the office market. As well, certain of the leases of the properties held by H&R have early termination provisions which, if exercised, would reduce the average lease term, however such termination rights are generally exercisable at a cost to the tenant only and the amount of space in H&R's portfolio which could be affected by early termination is not significant.

A mortgage on any one property may, from time to time, exceed the estimated current market value of the related property. The cash flow from such a property may not be sufficient to cover debt servicing for that property. The cash flow from H&R's portfolio is, however, expected by management to be sufficient to cover any cash flow shortfalls on such a property.

### **Current Economic Environment**

H&R is subject to risks involving the economy in general, including recessions, inflation, deflation or stagflation, unemployment, geopolitical issues and events such as sanctions, tariffs, trade disputes, trade tensions, conflicts, the imposition of exchange controls or other cross-border trade barriers and impacts from and changes to immigration policies. Global financial markets have experienced a sharp increase in volatility recently as a result of geopolitical tensions, changes in interest rates and inflationary pressures. Some economies around the world, including Canada and the U.S., may experience or are already experiencing significantly diminished growth or a recession. These market conditions and further uncertainty, volatility or illiquidity in financial markets, or economic conditions generally, could adversely affect H&R's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of H&R to maintain occupancy rates which could harm H&R's financial condition. In weak economic environments, H&R's tenants may be unable to meet their rental payments and other obligations due to H&R, which could have a material and adverse effect on H&R. In addition, fluctuation in interest rates or other financial market uncertainty or volatility may adversely affect H&R's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on H&R's performance, may restrict the availability of financing for future prospective purchasers of H&R's investments and could potentially reduce the value of such investments, or may adversely affect the ability of H&R to complete acquisitions on financially desirable terms. Increasing interest rates may put competitive pressure on the levels of distributable income paid by H&R to unitholders, increasing the level of competition for capital faced by H&R, which could have a material adverse effect on the trading price of the Units.

In particular, the REIT is subject to risks involving the regional and local economy in the markets in which its properties are located, including economic downturns of a regional or local nature, and a rise in regional or local unemployment, which could adversely affect the REIT's occupancy rates and the ability of the REIT's tenants to make their rental payments and meet their other obligations to the REIT. Such conditions could have a material adverse effect on the REIT.

A significant component of the REIT's ability to successfully operate relates to certain external factors that are beyond the REIT's control, particularly interest rates and capital markets conditions. As interest rates fluctuate in the lending market, generally so do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates. In addition, the REIT is subject to certain financial and non-financial covenants in the Debentures and under its credit facilities that include maintaining certain leverage ratios. Changes in the market capitalization rate could impact the REIT's property valuations which, in turn, could impact financial covenants.

### **Tariffs and Other International Trade Disputes**

The current administration in the U.S. creates additional uncertainty in the global economic outlook, particularly in relation to the timing, scope and magnitude of potential U.S. import tariffs being imposed. The U.S. administration has imposed an array of tariffs against China, Canada and Mexico, as well as tariffs on imports of steel, aluminum and copper. In addition, the U.S. administration has proposed additional tariffs on a significant number of additional countries and products through its "reciprocal tariff scheme". It is unclear how long any of these tariffs will stay in place, however the REIT expects that certain additional tariffs will go into effect over the course of the coming year. If implemented as expected, widespread tariffs will likely increase input costs for companies and lead to higher prices for U.S. consumers, ultimately reducing regional or global economic activity as it relates to certain sectors. Such tariffs may also increase the cost of construction materials, which would adversely impact the REIT's development projects and property maintenance costs. These factors could increase the difficulty and cost of accessing capital, which may adversely affect the REIT's results of operations and decrease the amount of cash available for distribution.

Additionally, some countries have retaliated, or have expressed an intention to retaliate, against any new U.S. import tariffs by imposing mirroring tariffs on certain U.S. products; Canada and China have already imposed retaliatory tariffs, which create the risk of an escalatory cycle. Further, these retaliatory measures and trade disputes could lead to increased inflation in the U.S. and globally.

## **Property Valuations**

H&R conducts a valuation assessment of its properties on a quarterly basis. Property values fluctuate over time in response to market factors and the underlying inputs used in the valuation model, and therefore the fair value of the H&R's portfolio could change materially. H&R is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model. Errors in the inputs to the valuation model or inappropriate assumptions may result in an inaccurate valuation of the properties. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction. Management may also use market information obtained in external appraisals commissioned during the reporting period to assess whether changes to market-related assumptions are required for the balance of the portfolio. H&R is responsible for monitoring the value of its portfolio and evaluating the impact of any changes in property value over time. Any changes to the value of the REIT's properties may impact Unitholder value.

## **Credit Risk and Tenant Concentration**

H&R is exposed to credit risk in the event that borrowers default on the repayment of the amounts owing to H&R. Management mitigates this risk by ensuring adequate security has been provided in support of mortgages receivable.

H&R is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has historically diversified H&R's holdings so that it owns several categories of properties (residential, industrial, office and retail) and acquires properties throughout Canada and the United States. In recent years, as part of the REIT's strategic planning, this diversification has been reduced, with an increased focus on residential and industrial assets only. This decreased diversification exposes the REIT to more risks with the associated asset classes, but reduces the REIT's risk relating to office and retail assets.

Generally, Management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the REIT's cash flow.

To manage tenant concentration risk, H&R's Declaration of Trust restricts the leasing of real property to any person where that person and its affiliates would, after the contemplated lease, be leasing real property having an aggregate leasable area in excess of 20% of the aggregate leasable area of all real property held by H&R, unless the lessee is, or the lease is guaranteed by, the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality in Canada or the United States, any agency or crown corporation thereof, a Canadian chartered bank or certain trust or insurance companies, and certain issuers, the securities of which meet stated investment criteria or are investment grade. At December 31, 2025, H&R was in compliance with this restriction. Furthermore, the only tenants which individually account for more than 5% of the rentals from investment properties of H&R are Hess Corporation and New York City Department of Health. Hess Corporation and New York City Department of Health both have a public debt rating that is rated with at least an A+ Stable rating by a recognized rating agency. In addition, the REIT's exposure to Hess Corporation will be eliminated upon completion of the sale of Hess Tower in Q1 2026.

## **Lease Rollover Risk**

Lease rollover risk arises from the possibility that H&R may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry, or that H&R may not achieve rental rate increases upon such renewals. Management attempts to enter into long-term leases to mitigate this risk. Management attempts to mitigate the risk by having staggered lease maturities and entering into longer term leases with built-in rental escalations. The leases for 39.5% of H&R's total commercial leasable area will expire in the next 5 years. The ability to rent unleased space in the properties in which H&R has an interest will be affected by many factors. The failure to rent unleased space on a timely basis or at all or to achieve rental rate increases would likely have an adverse effect on H&R's financial condition and cash available for distributions may be adversely affected.

## **Interest Rate and Other Debt-Related Risks**

H&R is exposed to financing risks on maturing debt and interest rate risk on its borrowings. Higher interest rates may lead to H&R's debt being refinanced at higher rates than when initially obtained, thereby reducing net income and cash flows which could ultimately affect the level of distributions. In order to minimize this risk, H&R negotiates fixed rate term debt with staggered

maturities on the portfolio. Derivative financial instruments have been and may continue to be utilized by H&R in the management of its interest rate exposure. In addition, H&R's Declaration of Trust restricts total indebtedness permitted on the portfolio.

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; (iii) ratio of unencumbered investment properties to unsecured indebtedness of not less than 1.40:1.0; and (iv) unitholders' equity of not less than \$1.0 billion for Senior Debentures and \$2.0 billion for unsecured term loans and lines of credit. In addition, certain of the REIT's mortgage providers have minimum limits on debt service coverage ratios ranging from 1.10 to 1.35. As at December 31, 2025, H&R was in compliance with each of the preceding financial ratios.

If H&R indebtedness is replaced by new debt that has less favourable terms or H&R is unable to secure adequate funding, distributions by H&R to holders of Units may be adversely impacted. In addition, failure by H&R to comply with its obligations under the documents governing such indebtedness (including in the case of the credit facilities, the failure to meet certain financial ratios and financial conditions tests) may adversely impact the REIT's ability to make cash distributions on Units.

### **Inflation Risk**

The rate of inflation impacts the general economic and business environment in which H&R operates. Inflationary pressures either domestically or globally, tight labour markets and strong demand for goods and resources, together with the imposition by governments of higher interest rates or wage and price controls as a means of curbing inflationary increases, could put pressure on H&R's development, financing, operation and labour costs and could negatively impact levels of demand for real property. Although central banks have recently cut interest rates, there is no assurance that such interest rate cuts continue, or that central banks would not reverse such decisions if inflation were to increase. In addition, tariffs or other trade measures could result in further increased inflation, which may result in further efforts by central banks and governments to address such inflation. The resulting economic impacts of further inflationary pressures may adversely affect H&R's financial condition and results of operations.

### **Development Risks**

It is likely that, subject to compliance with H&R's Declaration of Trust, H&R will be involved in various development projects. H&R's obligations in respect of properties under construction, or which are to be constructed, are subject to risks which include (i) the potential insolvency of a third party developer (where H&R is not the developer); (ii) a third party developer's failure to use advanced funds in payment of construction costs; (iii) construction or other unforeseeable delays; (iv) the availability and timely receipt of zoning, occupancy and other government and regulatory approvals; (v) changes in zoning and land use laws; (vi) cost overruns; (vii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (viii) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vix) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and to the extent possible, on a bonded basis) and by attempting to obtain long-term financing as early as possible during construction.

### **Residential Rental Risk**

H&R expects to be increasingly involved in residential development projects that include rental apartments. As a landlord of its properties that include rental apartments, H&R is subject to the risks inherent in the multi-unit residential rental business, including, but not limited to, fluctuations in occupancy levels, individual credit risk, heightened reputation risk, tenant privacy concerns, potential changes to rent control regulations, increases in operating costs including the costs of utilities and the imposition of new taxes or increased property taxes.

### **Capital Expenditure Risk**

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. H&R may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants.

### **Currency Risk**

H&R is exposed to foreign exchange fluctuations as a result of ownership of assets in the United States and the rental income earned from these properties. In order to mitigate the risk, H&R's debt on these properties is also denominated in U.S. dollars to act as a natural hedge.

H&R is exposed to foreign exchange fluctuations as a result of U.S. mortgages and U.S. lines of credit, each of which are denominated in U.S. dollars.

### **Liquidity Risk**

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit H&R's ability to vary its portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of H&R's investments or that market conditions, including the impact of a disease outbreak or a recession, would prevent prompt disposition of assets. Furthermore, increases in interest rates generally cause a decrease in the demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a material adverse effect on the REIT's ability to sell any of its properties or execute on its transformational strategic repositioning plan. Additionally, legislation and other regulatory developments, including the *Prohibition on the Purchase of Residential Property by Non-Canadians Act*, could limit potential purchasers of H&R's properties, further reducing the liquidity of the real estate market.

### **Cyber Security Risk and Breach of Privacy or Information Security Systems**

The protection of tenant, employee, and company data is critically important to the REIT. The REIT's business will require it to use and store personally identifiable and other sensitive information of its tenants and employees. The collection, use, sharing and other processing of personally identifiable information by the REIT is governed by Canadian federal, provincial and territorial laws and regulations and U.S. federal and state laws and regulations. Privacy and information security laws continue to evolve and may be interpreted and enforced in a manner that is inconsistent from one jurisdiction to another. Compliance with all such laws and regulations (as they exist now or may be implemented or adopted in the future) may increase the REIT's operating costs and adversely impact the REIT's ability to market the REIT's properties and services.

Any failure or perceived failure by the REIT to comply with its privacy policies, its privacy-related obligations to third parties, or its privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which could include personal information, may result in governmental or regulatory investigations, enforcement actions, regulatory fines, compliance orders, litigation or public statements against the REIT by consumer advocacy groups or others, and could cause consumers to lose trust in the REIT, all of which could be costly and have an adverse effect on the REIT's business and damage the REIT's reputation.

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including H&R. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. The security measures to be put in place by the REIT, or third-party vendors to be used by the REIT for the operation of its business, cannot provide absolute security, and the REIT's information technology infrastructure may be vulnerable to cyber-attacks or data security incidents due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT's or its vendors' networks, and the information stored by the REIT or such vendors, including tenant and employee information, could be accessed, misused, publicly disclosed, corrupted, lost or stolen, resulting in fraud, including wire fraud related to REIT assets, or other harm. Moreover, if a data security incident or breach affects the REIT's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT's reputation and brand could be materially damaged and the REIT may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT to recover all costs related to a cyber breach for which they alone or they and the REIT should be jointly responsible.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT may expend

additional resources to continue to enhance the REIT's information security measures and/or to detect, investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the REIT may be unable to anticipate these techniques or implement adequate preventative measures. If the REIT does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, or fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's or its third-party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

### **Artificial Intelligence and Related Technologies**

The REIT may in the future incorporate artificial intelligence ("AI") solutions into its information technology infrastructure and use AI to improve the REIT's efficiency. These applications may become important in the REIT's operations over time. If the REIT's competitors implement AI solutions more effectively than the REIT, it may impair the REIT's competitiveness. Additionally, if any AI applications used by the REIT produce incorrect or deficient results, it may impair the business, reputation, financial condition and results of operation of the REIT. Any AI solutions that the REIT may in the future use may be developed, tuned and trained using various data sets, including public and proprietary data. If the AI solutions are incorrectly designed, the data used to tune or train the AI solutions is incomplete, inadequate, drift over time or are biased in some way, or if the AI solutions provider did not have or retain sufficient rights to use the data on which such AI solutions rely, the performance of the REIT's information technology infrastructure and business, as well as the REIT's reputation, could suffer.

The increased use of AI applications may increase the REIT's exposure to a cybersecurity incident. Additionally, the use of AI presents emerging ethical issues, such as the proper use of copyrighted material with AI applications and the reduction of employees, which may result in reputational harm, competitive harm or legal liability. The rapid evolution of AI, including potential government regulation of AI, may require significant resources to develop, test and maintain the REIT's information technology infrastructure and to ensure that the REIT implements the use of AI ethically. The REIT could incur liability in connection with its use of AI through the violation of laws and regulations, third-party privacy, intellectual property or other rights, or contracts to which the REIT is a party. In addition, these risks include the possibility of new or enhanced governmental or regulatory scrutiny, litigation or other legal liability, ethical concerns, negative consumer and other end use perceptions as to AI or other complications that could have a material adverse effect on the REIT's business, financial condition and results of operations.

### **Expanding Social Media Vehicles**

The use of social media could cause the REIT to suffer brand damage or information leakage. Negative posts or comments about the REIT or any of its properties on any social networking platform could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

### **Financing Credit Risk**

H&R is also exposed to credit risk as a lender on the security of real estate in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through credit checks and related due diligence of the borrowers and through careful evaluation of the worth of the underlying assets.

### **ESG and Climate Change Risk**

As an owner and manager of real estate assets in Canada and the United States, H&R is subject to various laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned by H&R or on adjacent properties. H&R will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, H&R does not believe that costs relating to environmental matters will have a material adverse effect on H&R's business, financial condition or

results of operations. However, environmental laws and regulations may change and H&R may become subject to more stringent environmental laws and regulations in the future. In addition, H&R may become subject to transition risks as a result of the process of shifting to a low-carbon economy, influenced by new and emerging climate-related public policies and regulations, technologies, stakeholder expectations and legal developments. Compliance with more stringent environmental laws and regulations could have an adverse effect on H&R's business, financial condition or results of operations.

In accordance with best management practices, Phase I environmental audits are completed on all properties prior to acquisition. Further investigation is conducted if Phase I tests indicate a potential problem. H&R has operating policies to monitor and manage risk. In addition, the standard lease utilized requires tenants to comply with environmental laws and regulations, and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Natural disasters, earthquakes and severe weather such as hurricanes, tornadoes, floods, ice storms, blizzards, rising temperatures and other adverse weather and climate conditions may result in damage to the REIT's investment and development properties, decreased property values and reduced rental revenue (including from increased vacancy). The extent of H&R's casualty losses and loss in net operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. H&R is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of H&R's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on H&R's business by increasing the cost to recover and repair the REIT's investment and development properties, by increasing property insurance costs to insure an investment property against natural disasters and severe weather events and/or by increasing energy costs at the REIT's investment properties. As a result, the consequences of natural disasters, severe weather and climate change could increase H&R's costs and reduce H&R's cash flow.

H&R has taken proactive steps to mitigate the risk of climate change on the REIT and its properties and to address the REIT's environmental impact. Evolving stakeholder expectations and H&R's efforts and ability to manage these issues, provide updates on them, and carry out its environmental and sustainability practices and initiatives presents numerous operational, regulatory, reputational, financial, legal, and other risks, any of which may be outside of H&R's control or could have a material adverse impact on H&R's business. H&R's failure or perceived failure to maintain its environmental and sustainability practices or comply with emerging regulations that meet evolving regulatory or stakeholder expectations could harm H&R's reputation and expose H&R to increased scrutiny from the investment community and enforcement authorities.

In addition, there are currently no universal or commonly accepted ESG or impact reporting standards and no assurance can be given that such standards will develop over time or, if such standards develop in the future, that the REIT's practices will align with such standards. Accordingly, no assurance is or can be given to investors that the REIT's focus on goals and key performance indicators, the REIT's Sustainability Policy, Green Financing Framework or otherwise will meet investor expectations regarding ESG-related or impact investing. In the event that formal standards for ESG or similar reporting are adopted by the Canadian securities regulators, the Canadian Sustainability Standards Board, the International Sustainability Standards Board of the IFRS Foundation or similar organizations with governance over H&R, H&R intends to comply with such standards. Similarly, there is no legal, regulatory or market definition of or standardized criteria for what constitutes a "green", "social", "sustainable" or other equivalently labeled investment and any such designations made by third parties may not be suitable for the investment criteria of an investor. No assurance can be given that such definitions or consensus will develop over time or, if such definitions or consensus develop in the future, that initiatives undertaken by the REIT in accordance with its Sustainability Policy, Green Financing Framework or otherwise will meet such definitions or consensus. Accordingly, an investment in Units may not meet any or all investor expectations regarding "green", "social", "sustainable" or other equivalently labeled performance objectives.

See the "ESG" section of this MD&A for additional details on the REIT's environmental and sustainability practices and initiatives.

### **Public Health Crises**

The REIT's business, cash flows, financial condition and results of operations could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond the REIT's control. Reactions to the spread or worsening of an outbreak may lead to, among other things, significant restrictions on travel, business closures, quarantines, social distancing and other containment measures and a general reduction in consumer activity. While these effects may be temporary, the duration of any business disruptions and related financial impact cannot be reasonably estimated, and may be instituted, terminated and re-instituted from time to time as an outbreak worsens or waves of an outbreak occur from time to time. Certain aspects of the REIT's business and operations that could potentially be impacted by such an event include rental income, occupancy, tenant inducements, future demand for space and market rents, changes in the preferences of tenants and prospective tenants, temporary or long-term

labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks, impairments and/or write-downs of assets, and the deterioration of worldwide credit and financial markets that could limit the REIT's ability to access capital and financing on acceptable terms or at all.

### **Co-Ownership Interest in Properties**

In certain situations, H&R may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease or other agreement. Although all co-owners' agreements entered into by H&R provide or will provide, as applicable, for remedies to H&R in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of H&R.

### **Business Continuity**

H&R's ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, development site work stoppages, prolonged IT systems failure, terrorist activity, pandemics, power failures or other national or international catastrophes. Any of these events, including ineffective contingency planning, may have a material adverse effect on the REIT's reputation, business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

### **General Uninsured Losses**

H&R carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. H&R will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, H&R could lose its investment in, and anticipated profits and cash flows from, one or more of its properties; but H&R would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

### **Joint Arrangement and Investment Risks**

H&R has several investments in joint ventures and investments in associates. H&R is subject to risks associated with the management and performance of these joint arrangements and investments. Such risks include any disagreements with its partners relating to the development or operations of a property, as well as differences with respect to strategic decision making. Other risks include partners not meeting their financial or operational obligations. H&R attempts to mitigate these risks by maintaining good working relationships with its partners, and conducting due diligence on their partners to ensure there is a similar alignment of strategy prior to creating a joint arrangement or investment.

### **Talent Management and Succession Planning**

The REIT's continued growth is dependent on its ability to hire, retain and develop its leaders and other key personnel. Any failure to effectively attract and retain talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could erode H&R's competitive position or result in increased costs and competition for, or high turn-over of, employees. Any of the foregoing could negatively affect H&R's ability to operate its business and execute its strategies, which in turn, could adversely affect its reputation, operations or financial performance.

### **Potential Acquisition, Investment and Disposition Opportunities and Joint Venture Arrangements**

H&R evaluates business and growth opportunities and considers a number of acquisition, investment and disposition opportunities and joint venture arrangements to achieve its business and growth strategies. In the normal course, H&R may have outstanding non-binding letters of intent and/or conditional agreements or may otherwise be engaged in discussions with respect to potential acquisitions and financing of new assets, the refinancing of existing assets, potential dispositions, establishment of new joint venture arrangements, the viability and status of its joint venture arrangements, and changes to its capital structure, each of which, individually or in the aggregate, may or may not be material if they were to progress. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition, investment or

disposition would be or that such acquisition, investment or disposition will be completed by H&R. Similarly, there can be no assurance that H&R will enter into new joint venture arrangements or continue any existing joint venture arrangements. If H&R does complete such transactions, H&R cannot provide assurance that they will ultimately strengthen its competitive position or that they will not be viewed negatively by customers, securities analysts or investors. Such transactions may also involve significant commitments of H&R's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to H&R, and the resources committed to such activities will not be available to H&R for other purposes.

Acquisitions of properties by H&R are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, *Competition Act* (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated. In the event that H&R does not complete an acquisition, it may have an adverse effect on the operations and results of H&R in the future and its cash available for distributions to unitholders.

#### **Potential Undisclosed Liabilities Associated with Acquisitions**

H&R may acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which H&R may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), and accrued but unpaid liabilities incurred in the ordinary course of business. Representations and warranties given by third parties to H&R regarding acquired properties may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. While in some instances H&R may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, H&R may not have recourse to the vendor of the properties for any of these liabilities.

#### **Competition for Real Property Investments**

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with H&R in seeking tenants. Some of the properties located in the same markets as H&R's properties may be newer, better located, less levered or have better tenant profiles than H&R's properties. Some property owners with properties located in the same markets as H&R's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on H&R's ability to lease space in its properties and on the rents charged or concessions granted, which could have an adverse effect on H&R's financial condition and results of operation and decrease the amount of cash available for distribution.

H&R competes for suitable real property investments with individuals, corporations, other real estate investment trusts and institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, real property investments similar to those desired by H&R. Many of these investors have greater financial resources than those of H&R, or operate without H&R's investment restrictions, or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in real property investments would tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yields thereon.

#### **Potential Conflicts of Interest**

H&R may be subject to various conflicts of interest because of the fact that the members of management and the Trustees may be engaged in a wide range of real estate and other business activities and H&R may become involved in transactions which conflict with the interests of the foregoing.

H&R management and the Trustees may from time to time deal with persons, firms, institutions or corporations with which H&R may be dealing, or which may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of H&R. In addition, from time to time, these persons may be competing with H&R for available investment opportunities.

Any decisions regarding the enforcement by H&R of the terms of any agreement entered into by H&R with a non-independent Trustee or with an associate of a non-independent Trustee may be made by a majority of the independent Trustees. There is a risk that non-independent Trustees may attempt to influence the independent Trustees in this regard.

### **Litigation and Regulatory Risk**

H&R's operations are subject to a wide variety of laws and regulations across all of its operating jurisdictions and H&R faces risks associated with legal and regulatory changes and litigation. In the normal course of operations, H&R may become involved in various legal actions, including claims relating to personal injury, property damage, property taxes, land rights, and contractual and other commercial disputes and the resolution of such actions may have an adverse effect on the REIT's financial position or results of operations. H&R retains external legal consultants to assist it in remaining current and compliant with legal and regulatory changes and to respond to litigation.

### **Unit Prices**

Publicly traded trust units will not necessarily trade at values determined solely by reference to the underlying value of trust assets. Accordingly, Units may trade at a premium or a discount to the underlying value of the assets of H&R. See also the "Forward-Looking Disclaimer" in this MD&A.

One of the factors that may influence the quoted price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead investors in Units to demand a higher annual yield, which could adversely affect the quoted price of the Units. In addition, the quoted price for Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of H&R.

Challenging market conditions, the health of the economy as a whole and numerous other factors beyond the control of H&R may have a material effect on the business, financial condition, liquidity and results of operations of H&R. Financial markets have previously experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have often been unrelated to the operating performance, underlying asset values or the prospects of such issuers. There can be no assurance that such fluctuations in price and volume will not occur again. Accordingly, the market price of Units may decline even if H&R's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil occur, H&R's operations could be adversely impacted and the trading price of the Units may be adversely affected.

### **Availability of Cash for Distributions**

Although H&R intends to make distributions of its available cash to unitholders in accordance with its distribution policy, these cash distributions may be reduced or suspended. The actual amount distributed by H&R will depend on numerous factors including capital market conditions and access to capital, the financial performance of the properties, H&R's debt covenants and obligations, its working capital requirements, its future capital requirements, its development commitments and fluctuations in interest rates. Cash available to H&R for distributions may be reduced from time to time because of items such as principal repayments on debt, tenant allowances, leasing commissions, capital expenditures or any other business needs that the Board deems reasonable. H&R may be required to use part of its debt capacity in order to accommodate any or all of the above items. The market value of Units may decline significantly if H&R suspends or reduces distributions. The Board retains the right to re-evaluate the distribution policy from time to time as they consider appropriate.

### **Credit Ratings**

Credit ratings assigned to H&R's debentures are not hold or sell recommendations, do not address the market price of the Senior Debentures, and are not assessments of the appropriateness of ownership of the Senior Debentures given various investment objectives. The credit ratings on the Senior Debentures may not reflect the potential impact of all risks and factors affecting the value of the Senior Debentures, including market risk, trading liquidity risk and covenant risk. In addition, real or anticipated changes in the credit ratings assigned to the debentures may affect their market value. Such changes can affect the cost at which H&R can access the debenture market, and the credit spreads on unsecured term loans or unsecured lines of credit, as applicable. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed and discontinued by a rating agency in the future if in its judgment circumstances so warrant.

### **Ability to Access Capital**

As H&R distributes a substantial portion of its income to unitholders, H&R may need to obtain additional capital through capital markets or financing activities with lenders, and H&R's ability to access the capital markets through equity issues and forms of secured or unsecured debt financing may affect the operations of H&R as such financing may be available only on disadvantageous terms, if at all. If financing is not available on acceptable terms, further acquisitions or ongoing development projects may be curtailed and cash available for distributions or to fund future commitments may be adversely affected.

### **Dilution**

The number of Units H&R is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in certain circumstances, including under H&R's Unit Option Plan and Incentive Unit Plan. In addition, H&R may issue Units pursuant to the distribution reinvestment plan and unit purchase plan. Any issuance of Units may have a dilutive effect on the investors of Units.

### **Unitholder Liability**

H&R's Declaration of Trust provides that no holder of Units, special voting units of the REIT ("Special Voting Units") or annuitant under a plan of which a holder of Units or Special Voting Units acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of Units, Special Voting Units or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with property of H&R or the affairs of H&R including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of H&R or of the Trustees or any obligation which a holder of Units, Special Voting Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such. Only assets of H&R are intended to be liable and subject to levy or execution for satisfaction of such liability.

H&R's Declaration of Trust further provides that certain written instruments signed by H&R (including all mortgages and, to the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of holders of Units and Special Voting Units, other written instruments creating a material obligation of H&R) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be personally binding upon holders of Units and Special Voting Units or upon and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any annuitant.

However, in conducting its affairs, H&R has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations modified so as not to have such obligations personally binding upon any of the holders of Units, Special Voting Units or annuitants. However, H&R may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by H&R, there is a risk that a holder of Units, Special Voting Units or annuitant will be held personally liable for obligations of H&R where the liability is not disavowed as described above.

Personal liability may also arise in respect of claims against H&R that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered remote as the nature of H&R's activities are such that most of its obligations arise by contract and non-contractual risks are largely insurable. However, the insurance policies maintained by H&R have exclusions for certain environmental liabilities. In the event that payment of H&R obligations were to be made by a holder of Units or Special Voting Units, such holder would be entitled to reimbursement from the available assets of H&R.

The Trustees will cause the activities of H&R to be conducted with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their fiduciary duty to act in the best interests of the holders of Units and Special Voting Units, any material risk of liability on the holders of Units and Special Voting Units for claims against H&R. The Trustees will, to the extent available on terms which they determine to be practicable, cause the insurance carried by H&R, to the extent applicable, to cover the holders of Units, Special Voting Units and annuitants as additional insureds.

Legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide unitholders in those provinces with limited liability. On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004 (Ontario)*, came into force. Such legislation provides that unitholders of a trust that is a reporting issuer and governed by the laws of Ontario are not liable, as beneficiaries, for any act, default, obligation or liability of the trust or any of its trustees that arise after the legislation came into

force. A trust is considered governed by the laws of Ontario if its declaration of trust or other constating instrument contains the customary provision to that effect. H&R's Declaration of Trust contains such a provision, and accordingly, the holders of Units and Special Voting Units are protected by this legislation. However, there remains a risk, which H&R considers to be remote in the circumstances, that a holder of Units and Special Voting Units could be held personally liable for H&R's obligations to the extent that claims are not satisfied out of H&R's assets. It is intended that H&R's affairs will be conducted to seek to minimize such risk wherever possible.

### **Redemption Right**

Unitholders are entitled to have their Units redeemed at any time on demand. It is anticipated that this redemption right will not be the primary mechanism for unitholders to liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by H&R in respect of those Units and all other Units tendered for redemption in the same calendar month does not exceed \$50,000.00 (subject to certain adjustments and provided that the trustees of H&R may waive this limitation at their sole discretion), (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading or quoted on a stock exchange or traded or quoted on another market which the trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not so listed, on any market on which the Units are quoted for trading) on the redemption date or for more than five trading days during the ten-day trading period commencing immediately prior to such date. In certain circumstances, H&R's Declaration of Trust provides for the *in specie* distributions of notes of H&R Portfolio LP Trust in the event of redemption of Units. The notes which may be distributed *in specie* to unitholders in connection with a redemption will not be listed on any stock exchange, and are not expected to be qualified investments for registered plans, no established market is expected to develop for such notes and they may be subject to resale restrictions under applicable securities laws.

### **Investment Eligibility**

The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments (as defined in the Tax Act) by certain registered plans. H&R will endeavour to ensure that Units continue to be qualified investments for registered plans, but there can be no assurances in this regard. Unitholders, annuitants and subscribers of registered plans should consult their own tax advisors with respect to whether Units would be prohibited investments having regard to their particular circumstances.

### **Debentures**

The likelihood that purchasers of the Senior Debentures will receive payments owing to them under the terms of such debentures will depend on the financial health of H&R and its creditworthiness. In addition, such debentures are unsecured obligations of H&R and are subordinate in right of payment to all H&R's existing and future senior indebtedness as defined in each such respective trust indenture. Therefore, if H&R becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, H&R's assets will be available to pay its obligations with respect to such debentures only after it has paid all of its senior indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Senior Debentures then outstanding.

The Senior Debentures are also effectively subordinate to claims of creditors (including trade creditors) of H&R's subsidiaries except to the extent H&R is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. A parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of bankruptcy, liquidation or reorganization of H&R, holders of indebtedness of H&R (including holders of the Senior Debentures), may become subordinate to lenders to the subsidiaries of H&R. The indentures governing such debentures do not prohibit or limit the ability of H&R or its subsidiaries to incur additional debt or liabilities (including senior indebtedness), to amend and modify the ranking of any indebtedness or to make distributions, except, in respect of distributions where an event of default has occurred and such default has not been cured or waived. The indentures do not contain any provision specifically intended to protect holders of debentures in the event of a future leveraged transaction involving H&R.

In addition, H&R may be required to purchase all outstanding Senior Debentures upon the occurrence of a change of control. However, it is possible that following a change of control, H&R will not have sufficient funds at that time to make any required purchase of such outstanding debentures or that restrictions contained in other indebtedness will restrict those purchases.

## Statutory Remedies

H&R is not a legally recognized entity within the relevant definitions of the Bankruptcy and Insolvency Act, the Companies' Creditors Arrangement Act and in some cases, the Winding Up and Restructuring Act. As a result, in the event a restructuring of H&R were necessary, H&R would not be able to access the remedies available thereunder.

The rights granted in H&R's Declaration of Trust are granted as contractual rights afforded to securityholders of H&R ("Securityholders"). Similar to other existing rights contained in H&R's Declaration of Trust (e.g. take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the *Canada Business Corporations Act*. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Securityholder will be able to enforce the rights and remedies in the manner contemplated by H&R's Declaration of Trust. Furthermore, how the courts will treat these rights, remedies and procedures will be at the discretion of the court, and a court may choose to not accept jurisdiction to consider any claim contemplated in H&R's Declaration of the Trust.

## Unitholder Activism

Activist campaigns that contest or conflict with the REIT's governance and strategic direction can be costly and time-consuming, disrupting business operations and diverting the attention of the Board of Trustees and management. Such activism may create uncertainty regarding the REIT's leadership and strategy, which could adversely affect its ability to execute its business plan, harm its business, create volatility in the market price of the Units, and negatively impact the REIT's operating and financial results.

## Tax Risk

The Tax Act includes rules (referred to herein as the "SIFT Rules") which effectively tax certain income of a publicly traded trust that is distributed to its investors or of a publicly traded partnership on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors. A trust that qualifies as a "real estate investment trust" (as defined in the Tax Act) for a taxation year will not be considered to be a SIFT trust in that year (the "REIT Exemption").

Based on a review of H&R's assets and revenues, management believes that H&R satisfied the tests to qualify for the REIT Exemption for 2025. Management of H&R intends to conduct the affairs of H&R so that it qualifies for the REIT Exemption at all future times. However, as the REIT Exemption includes complex revenue and asset tests, no assurances can be provided that H&R has qualified for the REIT Exemption for its 2025 taxation year or will qualify for the REIT Exemption for its current or any subsequent taxation year.

H&R currently qualifies as a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency, including in respect of the treatment of mutual fund trusts or SIFT trusts, will not be changed in a manner which adversely affects H&R or holders of Units. If H&R does not qualify as a mutual fund trust under the Tax Act or were to cease to so qualify, the income tax considerations applicable to H&R and an investment in Units would be materially and adversely different. For example, if H&R were to cease to qualify as a mutual fund trust and Units cease to be listed on a designated stock exchange (which currently includes the TSX), Units may cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and first home savings accounts, and will cease to be qualified investments for registered education savings plans, registered disability savings plans and tax-free savings accounts.

Recent amendments to the Tax Act (the "EIFEL Rules") generally limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity's tax EBITDA. The EIFEL Rules and their application are highly complex, and there can be no assurances that the EIFEL Rules will not have adverse consequences to H&R or its unitholders. In particular, if these rules were to apply to restrict deductions otherwise available to H&R or otherwise increase H&R's income for purposes of the Tax Act, the taxable component of distributions paid by H&R to unitholders may be increased, which could reduce the after-tax return associated with an investment in Units.

Pursuant to further recent amendments to the Tax Act (the "Equity Repurchase Rules") a trust, the equity of which is listed on a "designated stock exchange" (which currently includes the TSX) that is a "real estate investment trust" for purposes of the Tax Act, is

subject to a 2% tax on the value of the trust's net equity repurchases (which would include purchases of Units by H&R under its normal course issuer bid) in a taxation year, as calculated in accordance with such rules, subject to a de minimis exception where the trust's gross equity repurchases in the year do not exceed \$1,000,000. If H&R is required to pay tax under the Equity Repurchase Rules, the amount of cash available for distribution to investors would be reduced.

If H&R experiences a "loss restriction event", as defined in the Tax Act, (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to unitholders to the extent necessary to ensure that H&R is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward unused losses to future taxation years. Generally, H&R will be subject to a loss restriction event if a person becomes a "majority-interest beneficiary", or a group of persons becomes a "majority-interest group of beneficiaries", of H&R, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

H&R operates in the United States through U.S. Holdco, which is capitalized with debt and equity provided by H&R. During 2018, H&R made loans to U.S. Holdco ("U.S. Holdco Loans"), including a revolving loan that U.S. Holdco drew upon in 2023, to refinance existing loans, including certain interest bearing unsecured subordinated notes of U.S. Holdco held by H&R (the "U.S. Holdco Notes"), or indirectly fund additional U.S. Holdco acquisitions of income generating real property. Management anticipates that U.S. Holdco will continue to borrow funds from H&R in the future for similar purposes, to fund its operations or to refinance existing loans. U.S. Holdco treats the U.S. Holdco Notes and U.S. Holdco Loans as indebtedness for U.S. federal income tax purposes. If the IRS or a court were to determine that the U.S. Holdco Notes and/or the U.S. Holdco Loans should be treated for U.S. federal income tax purposes as equity rather than debt, the interest on the U.S. Holdco Notes and/or the U.S. Holdco Loans could be treated as a dividend, and interest on the U.S. Holdco Notes and/or the U.S. Holdco Loans would not be deductible for U.S. federal income tax purposes. In addition, if the IRS were to determine that the interest rate on the U.S. Holdco Notes and/or the U.S. Holdco Loans did not represent an arm's length rate, any excess amount over the arm's length rate would not be deductible and could be re-characterized as a dividend payment instead of an interest payment. This would significantly increase the U.S. federal income tax liability of U.S. Holdco, potentially including the tax liability for prior years in which U.S. Holdco has claimed a deduction for interest paid on the U.S. Holdco Notes. In addition, U.S. Holdco could be subject to penalties. Such an increase in tax liability could materially adversely affect U.S. Holdco's ability to make interest payments on the U.S. Holdco Loans or H&R's ability to make distributions on its Units.

Under the Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform"), Section 163(j) of the Internal Revenue Code has been repealed and replaced with a new section 163(j) that is applicable to taxable years beginning after December 31, 2017. New section 163(j) applies to both related and third-party debt and there is no debt to equity ratio safe harbor. New section 163(j) as amended by the One Big Beautiful Bill Act ("OBBBA") limits all interest deductions (related and third party) to 30% (50% for the 2019 and 2020 taxable years) of "adjusted taxable income" (defined similarly to earnings before interest, taxes, depreciation and amortization (the "EBITDA Standard") for taxable years beginning before January 1, 2022, and earnings before interest and taxes for taxable years beginning on or after January 1, 2022 but before December 31, 2024 and back to the EBITDA Standard thereafter). However, there is an exception to the limitation of new section 163(j) for certain "real property trades or businesses" that make an irrevocable election. If such an election is made, the real property trade or business is required to use the alternative depreciation system (ADS) to depreciate certain assets for U.S. federal income tax purposes. Management believes U.S. Holdco was eligible to make this election and did so for 2018 onwards.

As the new U.S. Tax Reform continues to move through the implementation process, there is risk that regulatory, administrative or legislative actions could have a materially adverse effect on H&R's deferred income tax assets or liabilities. Management continues to monitor ongoing developments and IRS guidance.

#### **Additional Tax Risks Applicable to Unitholders**

H&R is classified as a foreign corporation for United States federal income tax purposes. A foreign corporation will be classified as a passive foreign investment company, or "PFIC", for United States federal income tax purposes if either (i) 75% or more of its gross income is passive income or (ii) on average for the taxable year, 50% or more of its assets (by value) produce or are held for the

production of passive income. If H&R were treated as a PFIC, then in the absence of certain elections being made by a U.S. unitholder with respect to such U.S. unitholder's Units, any distributions in respect of Units which are treated as "excess distributions" under the applicable rules and any gain on a sale or other disposition of Units would be treated as ordinary income and would be subject to special tax rules, including an interest charge. In addition, if H&R were treated as a PFIC, then dividends paid on Units will not qualify for the reduced 20% U.S. federal income tax rate applicable to certain qualifying dividends received by non-corporate taxpayers.

The foregoing adverse consequences of PFIC characterization can be mitigated by making certain elections. U.S. unitholders should consult with their own tax advisors regarding the implications of these rules and the advisability of making one of the applicable PFIC elections, taking into account their particular circumstances. If H&R were a PFIC, U.S. unitholders would be required to file an annual return on IRS Form 8621.

U.S. individuals are required to report an interest in any "specified foreign financial asset" if the aggregate value of such assets owned by the U.S. individual exceeds \$50,000.00 (or such higher threshold as may apply to a particular taxpayer pursuant to the instructions to IRS Form 8938). Units are treated as a specified foreign financial asset for this purpose.

A holder of Units that is a resident of the U.S. for purposes of the Tax Act will generally be subject to Canadian withholding tax under Part XIII of the Tax Act at the rate of 25% on the portion of the income of H&R (including, in general, taxable capital gains deemed to be "TCP gains distributions" for purposes of the Tax Act) paid or credited (whether in cash or *in specie*) in respect of such Units, subject to reduction under the *Canada-U.S. Tax Convention* (the "U.S. Treaty"), if applicable. The withholding rate applicable to a U.S. unitholder entitled to the benefits of the U.S. Treaty in respect of such income generally would be reduced to 15% in the case of income arising in Canada and to 0% in the case of income arising outside of Canada. U.S. unitholders may be entitled to a refund of a portion of such withholding tax if the rate applied by H&R were determined to be excessive. You should consult with your own tax advisor regarding the advisability of applying for such a refund.

## **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 December 31, 2025 and February 5, 2026, there were 264,557,922 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 December 31, 2025 and February 5, 2026, options to acquire up to 7,264,178 Units were granted and outstanding, which expire on February 24, 2026. There are no options remaining available for grant.

As at December 31, 2025, 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 2,439,826 incentive units which remain outstanding, 614,764 have been settled for Units and 1,945,410 incentive units remain available for grant. As at February 5, 2026, there were 2,379,849 incentive units outstanding.

As at December 31, 2025 and February 5, 2026, there were 15,441,644 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 2024 Annual Information Form, is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

## **SUBSEQUENT EVENTS**

In January 2026, the REIT sold its net investment in ECHO, 23 Canadian retail properties and two Canadian office properties for net proceeds of approximately \$727.3 million before closing costs. Each of these dispositions were recorded as assets held for sale as at December 31, 2025. The proceeds have been used to repay debt.

Consolidated financial statements of

**H&R REAL ESTATE INVESTMENT TRUST**

For the years ended December 31, 2025 and 2024



KPMG LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto, ON M5H 2S5  
Canada  
Tel 416 777 8500  
Fax 416 777 8818

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of H&R Real Estate Investment Trust

### ***Opinion***

We have audited the consolidated financial statements of H&R Real Estate Investment Trust (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### ***Evaluation of the fair value of investment properties***

#### ***Description of the matter***

We draw attention to Note 1 (d)(i) and (ii), Note 2 (b) and Note 3 of the financial statements. The Entity has recorded investment properties at fair value for an amount of \$6,370,453 thousand. The Entity also has equity accounted investments of \$484,702 thousand representing the Entity's share of net assets of associates and joint ventures. These associates and joint ventures have recorded investment properties at fair value for an amount of \$2,260,026 thousand. The investment properties are measured at fair value using valuations prepared by either the Entity's internal valuation team or external independent appraisers. The valuations are based on a number of methods and significant assumptions, such as capitalization rates, terminal capitalization rates, discount rates and estimates of future cash flows.

#### ***Why the matter is a key audit matter***

We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. In addition, significant auditor judgment and specialized skills and knowledge were required in performing, and evaluating the results of, our audit procedures due to the sensitivity of the fair value of investment properties to minor changes in certain significant assumptions.

#### ***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

For a selection of investment properties, we assessed the Entity's ability to accurately forecast by comparing the Entity's forecasted future cash flows to be generated by the investment properties used in the prior year's estimate of the fair value of investment properties to actual results.

For a selection of investment properties, we compared the forecasted future cash flows used by Entity's internal valuation team and external independent appraisers to the actual historical cash flows. We took into account the changes in conditions and events affecting the fair values of the investment properties to assess the adjustments, or lack of adjustments, made by the Entity's internal valuation team and external independent appraisers in arriving at those future cash flows.



We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating, for the overall portfolio, the appropriateness of the capitalization rates, terminal capitalization rates, and discount rates used by Entity's internal valuation team and external independent appraisers. These rates were evaluated by comparing them to published reports of real estate industry commentators while considering the features of the specific investment properties.

We evaluated the competence, capabilities and objectivity of the external independent appraisers by:

- Inspecting evidence that the appraisers are in good standing with the relevant appraisal institute
- Considering whether the appraisers have appropriate knowledge in relation to the specific type of investment properties
- Reading the reports of the appraisers which refer to their independence.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis
- the information, other than the financial statements and the auditor's report thereon, included in a document entitled "2025 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the information, other than the financial statements and the auditor's report thereon, included in a document entitled "2025 Annual Report" as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Larry Toste.

Toronto, Canada

February 12, 2026

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# H&R REAL ESTATE INVESTMENT TRUST

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

	<i>Note</i>	<b>December 31 2025</b>	December 31 2024
<b>Assets</b>			
Real estate assets:			
Investment properties	3	<b>\$6,370,453</b>	\$7,996,810
Properties under development	3	<b>785,184</b>	1,010,648
		<b>7,155,637</b>	9,007,458
Equity accounted investments	4	<b>484,702</b>	1,275,549
Assets classified as held for sale	5	<b>1,142,900</b>	59,880
Other assets	6	<b>272,910</b>	177,246
Cash and cash equivalents	7	<b>52,137</b>	100,354
		<b>\$9,108,286</b>	\$10,620,487
<b>Liabilities and Unitholders' Equity</b>			
Liabilities:			
Debt	8	<b>\$3,501,891</b>	\$3,537,384
Exchangeable units	9	<b>157,968</b>	166,800
Deferred revenue	10	<b>862,139</b>	906,363
Deferred tax liability	24	<b>212,781</b>	413,186
Accounts payable and accrued liabilities	11	<b>237,789</b>	304,978
Liabilities classified as held for sale	5	<b>—</b>	13,033
		<b>4,972,568</b>	5,341,744
Unitholders' equity		<b>4,135,718</b>	5,278,743
Commitments and contingencies	25		
Subsequent events	4, 5, 8(c), 12, 27		
		<b>\$9,108,286</b>	\$10,620,487

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees:

"Donald Clow" Trustee

"Thomas J. Hofstedter" Trustee

# H&R REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

Years ended December 31, 2025 and 2024

	<i>Note</i>	<b>2025</b>	2024
Rentals from investment properties	15	<b>\$815,128</b>	\$816,990
Property operating costs		<b>(306,045)</b>	(297,072)
Net operating income		<b>509,083</b>	519,918
Net income (loss) from equity accounted investments	4	<b>(271,064)</b>	2,477
Finance cost - operations	16	<b>(205,551)</b>	(246,829)
Finance income	16	<b>14,498</b>	11,577
Trust expenses, net		<b>(19,381)</b>	(20,580)
Fair value adjustment on financial instruments	16	<b>(17,498)</b>	(8,452)
Fair value adjustment on real estate assets	3	<b>(969,275)</b>	(425,884)
Loss on sale of real estate assets, net of related costs	3	<b>(2,254)</b>	(11,154)
Transaction costs	18	<b>(12,740)</b>	—
Net loss before income taxes		<b>(974,182)</b>	(178,927)
Income tax recovery	24	<b>182,618</b>	59,213
Net loss		<b>(791,564)</b>	(119,714)
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to net loss	14	<b>(219,573)</b>	393,292
Total comprehensive income (loss) attributable to unitholders		<b>(\$1,011,137)</b>	\$273,578

See accompanying notes to the consolidated financial statements.

# H&R REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity

(In thousands of Canadian dollars)

Years ended December 31, 2025 and 2024

<b>UNITHOLDERS' EQUITY</b>	<b>Note</b>	<b>Value of Units</b>	<b>Accumulated net income</b>	<b>Accumulated distributions</b>	<b>Accumulated other comprehensive income</b>	<b>Total</b>
Unitholders' equity, January 1, 2024		\$5,219,408	\$6,778,212	(\$7,131,874)	\$326,629	\$5,192,375
Issuance of Units		1,413	—	—	—	1,413
Net loss		—	(119,714)	—	—	(119,714)
Distributions to unitholders	13	—	—	(188,623)	—	(188,623)
Distributions in Units	13	157,209	—	(157,209)	—	—
Other comprehensive income		—	—	—	393,292	393,292
Unitholders' equity, December 31, 2024		5,378,030	6,658,498	(7,477,706)	719,921	5,278,743
<b>Issuance of Units</b>		<b>25,751</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25,751</b>
<b>Net loss</b>		<b>—</b>	<b>(791,564)</b>	<b>—</b>	<b>—</b>	<b>(791,564)</b>
<b>Distributions to unitholders</b>	<b>13</b>	<b>—</b>	<b>—</b>	<b>(157,639)</b>	<b>—</b>	<b>(157,639)</b>
<b>Distributions in Units</b>	<b>13</b>	<b>39,684</b>	<b>—</b>	<b>(39,684)</b>	<b>—</b>	<b>—</b>
<b>Other comprehensive loss</b>	<b>14</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(219,573)</b>	<b>(219,573)</b>
<b>Unitholders' equity, December 31, 2025</b>		<b>5,443,465</b>	<b>5,866,934</b>	<b>(7,675,029)</b>	<b>500,348</b>	<b>\$4,135,718</b>

See accompanying notes to the consolidated financial statements.

# H&R REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2025 and 2024

	Note	2025	2024
Cash provided by (used in):			
Operations:			
Net loss		(\$791,564)	(\$119,714)
Finance cost - operations	16	205,551	246,829
Interest paid		(157,660)	(152,813)
Items not affecting cash:			
Rental income accrued from the Bow and 100 Wynford	10	(94,559)	(93,736)
Net (income) loss from equity accounted investments	4	271,064	(2,477)
Rent amortization of tenant inducements	15	4,508	4,574
Fair value adjustment on real estate assets	3	969,275	425,884
Loss on sale of real estate assets, net of related costs	3	2,254	11,154
Fair value adjustment on financial instruments	16	17,498	8,452
Unit-based compensation expense	13(b)	9,914	3,906
Deferred income tax recovery	24	(184,269)	(60,675)
Change in other non-cash operating items	17	(63,582)	2,686
		<b>188,430</b>	274,070
Investing:			
Properties under development:			
Acquisitions	3, 17	—	(104,468)
Additions	3, 17	(34,688)	(159,570)
Net proceeds on disposition of properties under development		—	22,089
Investment properties:			
Net proceeds on disposition of investment properties		101,948	330,940
Redevelopment	3	(19,323)	(22,403)
Capital expenditures	3	(41,995)	(39,588)
Leasing expenses and tenant inducements	3	(1,938)	(6,629)
Contributions to equity accounted investments		(30,146)	(25,432)
Distributions received from equity accounted investments		49,511	49,738
Advances of mortgages receivable	6	(102,398)	(36,004)
Repayments of mortgages receivable	6	17,045	80,641
Restricted cash	6	2,799	83,838
		<b>(59,185)</b>	173,152
Financing:			
Lines of credit	8	538,213	31,444
Mortgages payable:			
Advances	8	824	2,283
Principal repayments	8	(127,545)	(160,146)
Redemption of debentures payable	8	(400,000)	(350,000)
Proceeds from issuance of debentures payable, net	8	—	248,800
Cash distributions paid to unitholders	17	(188,954)	(183,360)
		<b>(177,462)</b>	(410,979)
Increase (decrease) in cash and cash equivalents		<b>(48,217)</b>	36,243
Cash and cash equivalents, beginning of year	7	100,354	64,111
Cash and cash equivalents, end of year	7	<b>\$52,137</b>	\$100,354

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

See accompanying notes to the consolidated financial statements.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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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

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using accounting policies described herein.

The consolidated financial statements were approved by the Board of Trustees of the REIT (the “Board”) on February 12, 2026.

### (b) Functional currency and presentation

These consolidated 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 consolidated 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 consolidated financial statements have been prepared on the historical cost basis except for the following items in the consolidated 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.

### (d) Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

#### i. Use of estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the fair value of real estate assets (note 3).

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

Years ended December 31, 2025 and 2024

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## ii. Use of Judgements

The critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

- Valuations of real estate assets

Real estate assets, which consist of investment properties and properties under development, are carried on the consolidated statements of financial position at fair value, as determined by either external independent appraisers or by the REIT's internal valuation team. The valuations are based on a number of methods and significant assumptions, such as capitalization rates, terminal capitalization rates, discount rates, estimates of future cash flows and market values per unit of measure. Valuation of real estate assets is one of the principal estimates and uncertainties of these consolidated financial statements. Refer to note 3 for further information on estimates and significant assumptions made in the determination of the fair value of real estate assets. Judgement is applied in determining whether certain costs are additions to the carrying value of the real estate assets, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development properties.

- Leases

The REIT makes judgements in determining whether certain leases, in particular those tenant leases with long contractual terms and long-term ground leases where the REIT is the lessor, are operating or finance leases. The REIT has determined that all of its leases, where the REIT is the lessor, are operating leases.

- Income taxes

The REIT is a mutual fund trust and a real estate investment trust pursuant to the *Income Tax Act* (Canada) ("Tax Act"). Under current tax legislation, the REIT is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The REIT is a real estate investment trust if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed its interpretation and application to the REIT's assets and revenue, and the REIT has determined that it qualifies as a real estate investment trust pursuant to the Tax Act. The REIT expects to continue to qualify as a real estate investment trust; however, should it no longer qualify, the REIT would be subject to tax on its taxable income distributed to unitholders.

- Impairment of equity accounted investments

The REIT determines at each reporting date whether there is any objective evidence that the equity accounted investments are impaired. If there is an indication of impairment in respect of the REIT's investment in associates or joint ventures, the whole carrying value of the investment will be tested for impairment as a single asset under IAS 36, *Impairment of Assets* by comparing the recoverable amount with its carrying value. Any resulting impairment loss will be charged against the carrying value of the investment in associates or joint ventures and recognized in net income.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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## 2. Material accounting policy information:

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

### (a) Basis of consolidation:

These consolidated financial statements include the accounts of all entities in which the REIT holds a controlling interest. The REIT carries out a portion of its activities through joint operations and records its proportionate share of assets, liabilities, revenues, expenses and cash flows of all joint operations in which it participates. All material intercompany transactions and balances have been eliminated upon consolidation.

### (b) Investment properties:

The REIT's investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. As such, investment properties are measured at fair value, under IAS 40, *Investment Property* ("IAS 40") using valuations prepared by either the REIT's internal valuation team or external independent appraisers.

The REIT performs an assessment of each investment property acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3, *Business Combinations*. The REIT expenses transaction costs on business combinations and capitalizes transaction costs on asset acquisitions.

For asset acquisitions, investment properties are initially recorded at cost, comprising their purchase price and any directly attributable expenditures. Subsequent to initial recognition, the REIT uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. The related gain or loss in fair value is recognized in net income in the year in which it arises.

Subsequent capital expenditures are capitalized to investment properties only when it is probable that future economic benefits of the expenditure will flow to the REIT and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. Leasing costs, such as commissions incurred in negotiating tenant leases, are included in the carrying amount of the investment properties.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognized in net income in the year of disposal.

### (c) Properties under development:

Properties under development for future use as investment property are accounted for as investment property under IAS 40. Costs eligible for capitalization to properties under development are initially recorded at cost, and subsequent to initial recognition are accounted for using the fair value method. At each reporting date, properties under development are recorded at fair value based on available market evidence. The related gain or loss in fair value is recognized in net income in the year in which it arises.

The cost of properties under development includes direct development costs, realty taxes and borrowing costs that are directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development are capitalized. Borrowing costs relating to the purchase of a site or property acquired for redevelopment are also capitalized. The amount of borrowing costs capitalized is determined first by reference to borrowing specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other qualifying assets until substantially complete. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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Upon practical completion of a development, the development property is transferred to investment properties at the fair value on the date of practical completion. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the REIT has pre-leased space as of or prior to the start of the development and the lease requires the REIT to construct tenant improvements which enhance the value of the property, practical completion is considered to occur on completion of such improvements.

(d) Assets and liabilities held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and the sale must be highly probable. 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.

Upon initial classification as held for sale, investment properties continue to be measured at fair value in accordance with the REIT's accounting policy.

An investment in an associate or joint venture is classified as held for sale when the relevant criteria are met, and the REIT stops applying the equity method to the investment when it classifies it as held for sale. Upon initial classification as held for sale, an investment in an associate or joint venture is measured at fair value less costs to sell.

Liabilities directly associated with the non-current asset or disposal group 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 consolidated statements of financial position. These amounts are not offset or presented as a single amount.

(e) Income taxes:

Income tax (expense) recovery comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, if such entities intend to settle current tax liabilities and assets on a net basis or the entities' tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Tax Act. Under current tax legislation, a real estate investment trust is entitled to deduct distributions from taxable income such that it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. The REIT qualified as a real estate investment trust throughout 2025 and the 2024 comparative year.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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For financial statement reporting purposes, the tax deductibility of the REIT's distributions is treated as an exemption from taxation as the REIT has distributed and is committed to continue distributing all of its taxable income to its unitholders.

(f) Unit-based compensation:

The REIT has a unit option plan and an incentive unit plan available for REIT trustees, officers, employees and consultants as disclosed in note 13(b). These plans are considered to be a cash-settled liability under IFRS 2, *Share-based Payment* and as a result are measured at each reporting period and at settlement date at their fair value as defined by IFRS. The fair value of the amount payable to participants in respect of the unit option plan and incentive unit plan is recognized as an expense with a corresponding increase or decrease in liabilities, over the period that the employees unconditionally become entitled to payment. Any change in the fair value of the liability is recognized as a component of trust expenses, net.

(g) Foreign currency translation:

The REIT accounts for its investment in H&R REIT (U.S.) Holdings Inc. ("U.S. Holdco"), a wholly owned subsidiary of the REIT in the United States ("foreign operations"), as a U.S. dollar functional currency foreign operation. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the dates of the consolidated statements of financial position and revenue and expenses are translated at the average exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income until there is a reduction in the REIT's net investment in the foreign operations. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss. The U.S. dollar denominated lines of credit are designated as a hedge of the REIT's investment in self-sustaining operations. Accordingly, the accumulated unrealized gains or losses arising from the translation of these obligations are recorded as a foreign currency translation adjustment in accumulated other comprehensive income.

Assets and liabilities denominated in a currency other than the functional currency are translated into the functional currency at the exchange rates in effect at the dates of the consolidated statements of financial position and revenue and expenses are translated at the actual exchange rate on the date incurred, with any gain (loss) recorded in net income, unless the asset or liability is designated as a hedge.

(h) Units:

Under IAS 32, *Financial Instruments: Presentation* ("IAS 32"), puttable instruments, such as the Units, are generally classified as financial liabilities unless the exemption criteria are met for equity classification. As a result of the REIT receiving consent of its unitholders to modify the REIT's Declaration of Trust to eliminate the mandatory distribution and leave distributions to the discretion of the trustees and the ability of the trustees to fund distributions by way of issuing additional Units, the REIT met the exemption criteria under IAS 32 for equity classification. Nevertheless, the Units are not considered ordinary units under IAS 33, *Earnings Per Share*, and therefore an income per unit calculation is not presented.

(i) Investment in associates and joint ventures:

An associate is an entity over which the REIT has significant influence. Significant influence is the power to participate in an entity's financial and operating policy decisions, which is presumed to exist when an investor holds 20 percent or more of the voting power of another entity. An investment is considered an associate when significant influence exists but there is no joint control over the investment.

The REIT considers investments in joint arrangements to be joint ventures when the REIT jointly controls one or more investment properties with another party and has rights to the net assets of the arrangements. This occurs when the joint arrangement is structured through a separate vehicle, such as a partnership, with separation maintained.

The REIT's interests in its associates and joint ventures (collectively, "equity accounted investments") are accounted for using the equity method and are carried on the consolidated statements of financial position at cost, adjusted for the REIT's proportionate share of post-acquisition changes in the net assets, less any identified impairment loss. The REIT's share of profits and losses in equity accounted investments is recognized in net income (loss) from equity accounted investments in the consolidated statements of comprehensive income (loss). The REIT's other comprehensive income (loss) includes its share of the equity accounted investments' other comprehensive income (loss).

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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An associate or a joint venture is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the associate or joint venture and that event has a negative impact on the future cash flows of the associate or joint venture that can be reliably estimated.

(j) Joint operations:

The REIT considers investments in joint arrangements to be joint operations when the REIT makes operating, financial and strategic decisions over one or more investment properties jointly with another party and has direct rights to the assets and obligations for the liabilities relating to the arrangement. When the arrangement is considered to be a joint operation, the REIT will include its proportionate share of the underlying assets, liabilities, revenue and expenses in its financial results.

(k) Levies:

Under IFRS Interpretations Committee Interpretation 21, *Levies* (“IFRIC 21”) realty taxes payable by the REIT are considered levies. Based on the guidance of IFRIC 21, the REIT recognizes the full amount of annual U.S. realty tax liabilities at the point in time when the realty tax obligation is imposed.

(l) Revenue from contracts with customers:

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

The REIT earns revenue from its tenants from various sources consisting of: base rent for the use of space leased, recoveries of property tax and property insurance, and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is accounted for in accordance with IFRS 16, *Leases* and recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue recognition commences when a tenant has the right to use the premises.

Revenue related to the services component of the REIT’s leases is accounted for in accordance with IFRS 15. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

(m) Financial instruments:

IFRS 9, *Financial Instruments* (“IFRS 9”) requires financial assets to be classified and measured based on the business model in which they are managed and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- (i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the REIT’s financial assets not classified as measured at amortized cost, as described above, are measured at FVTPL.

Under IFRS 9, the change in fair value of financial liabilities, carried at FVTPL, attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss, unless the treatment of the effects of the changes in the credit risk of the liability would create an accounting mismatch in profit or loss.

For impairment of financial assets, IFRS 9 has a forward-looking ‘expected credit loss’ (“ECL”) model. A provision for ECL is recognized at each balance sheet date for all financial assets measured at amortized cost.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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The REIT applies the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences adjusted for current and forecasted future economic conditions to estimate lifetime ECL. The other ECL models applied to other financial assets also require judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses are recorded in finance cost - operations in the consolidated statements of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

IFRS 9 also includes a general hedge accounting standard which aligns hedge accounting more closely with risk management. The REIT's risk management strategy is disclosed in note 20. The U.S. dollar denominated line of credit is designated as a hedge of the REIT's investment in self-sustaining foreign operations.

(n) Future effective standards:

*IFRS 18: Presentation and Disclosure in Financial Statements* will replace *IAS 1: Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- (i) Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profits will not change;
- (ii) Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements; and
- (iii) Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The REIT is currently assessing the impact of the new standard, particularly with respect to the structure of the REIT's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The REIT is also assessing the impact on how information is grouped in the financial statements, including items currently labelled as "other".

The IASB also issued amendments to IFRS 9 and *IFRS 7: Financial Instruments: Disclosures* in May 2024. These amendments relate to classification of financial assets and accounting for settlement by electronic payments in the context of the classification and measurement requirements in IFRS 9. The potential impact may include, but is not limited to, a change in timing of recognition and derecognition of financial instruments in situations where settlement of a financial instrument with another takes more than a day. Similarly, a change may be required for entities that derecognize both trade payable and cash on the payment initiation date even if the creditor has not yet received the cash. However, an accounting policy choice is available for derecognizing certain financial liabilities that are settled using an electronic payment system, subject to certain criteria being met. The amendments will be effective from January 1, 2026. The new standard is not expected to have a material impact on the REIT's consolidated financial statements.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

Years ended December 31, 2025 and 2024

## 3. Real estate assets:

The following is a summary of the changes in real estate assets for the years ended December 31, 2025 and December 31, 2024:

	December 31, 2025		December 31, 2024		
	Note	Investment Properties <sup>(1)</sup>	Properties Under Development	Investment Properties <sup>(1)</sup>	Properties Under Development
Opening balance, beginning of year		\$7,996,810	\$1,010,648	\$7,811,543	\$1,074,819
Acquisitions, including transaction costs		—	—	—	150,742
Dispositions		(60,778)	—	(110,146)	(28,273)
Operating capital:					
Capital expenditures		41,995	—	39,588	—
Leasing expenses and tenant inducements		1,938	—	6,629	—
Development capital:					
Redevelopment		19,323	—	22,403	—
Additions to properties under development (including capitalized interest)		—	37,780	—	169,674
Amortization of tenant inducements and straight-lining of contractual rents		7,747	—	13,149	—
Transfer of properties under development to equity accounted investments	4	—	—	—	(28,790)
Transfer of real estate assets to assets classified as held for sale	5	(704,500)	—	(59,880)	—
Transfer of investment properties to properties under development		—	—	(92,932)	92,932
Transfer of properties under development that have reached practical completion to investment properties		36,300	(36,300)	407,030	(407,030)
Change in right-of-use assets <sup>(2)</sup>	17	—	—	—	(28,550)
Fair value adjustment on real estate assets		(768,562)	(200,713)	(387,335)	(38,549)
Change in foreign exchange		(199,820)	(26,231)	346,761	53,673
Closing balance, end of year		\$6,370,453	\$785,184	\$7,996,810	\$1,010,648

<sup>(1)</sup> The REIT legally sold the Bow and 100 Wynford in October 2021 and August 2022, respectively (note 10). However, as the transactions did not meet the criteria of a transfer of control under IFRS 15, \$991,039 is included in the table above as at December 31, 2025 (December 31, 2024 - \$1,040,254).

<sup>(2)</sup> 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. Therefore, as at December 31, 2025, the right-of-use assets had a balance of U.S. nil (December 31, 2024 - U.S. nil) and the Canadian dollar equivalent of this amount is nil (December 31, 2024 - nil).

### Real estate asset acquisitions:

During the year ended December 31, 2025, the REIT:

- did not acquire any investment properties (year ended December 31, 2024 - did not acquire any investment properties);
- did not acquire any ownership interest in land parcels for future residential development (year ended December 31, 2024 - acquired a 75% interest in one U.S. land parcel for future residential development); and
- did not exercise any options to acquire ownership interests in land parcels (year ended December 31, 2024 - 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 2 to the table above).

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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**Years ended December 31, 2025 and 2024**

The results of operations for acquisitions are included in the consolidated 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:

	December 31 2025	December 31 2024
<b>Assets</b>		
Properties under development	\$—	\$150,742

During the years ended December 31, 2025 and December 31, 2024, the REIT did not incur any additional costs in respect of prior year acquisitions.

## Real estate asset dispositions:

During the year ended December 31, 2025, the REIT sold the investment properties noted below and did not sell any properties under development. The REIT recognized a loss on sale of real estate assets, net of related costs, of \$2,254.

Property	Segment	Ownership Interest Sold
500 Hwy. 118 W. & 100/150 Muskoka Rd. Hwy. 118 W., Bracebridge, ON	Retail	50.0%
505 Hwy. 118 W., Bracebridge, ON	Retail	50.0%
555 Rossland Rd. E., Oshawa, ON	Retail	50.0%
1020 & 1090 Dawson Rd., Thunder Bay, ON	Retail	50.0%
640 First St. Extension, Collingwood, ON	Retail	100.0%
2615 County Rd. 43, Kemptville, ON	Retail	100.0%
1020 Dawson Rd., Thunder Bay, ON	Retail	100.0%
502 37th Ave. S.E., Puyallup, WA	Retail	100.0%
32 Wellington St. E., Toronto, ON <sup>(1)</sup>	Office	98.5%
3990 Red Cedar Dr., Highlands Ranch, CO	Retail	100.0%
69 Yonge St., Toronto, ON	Office	100.0%
10450 42nd Ave., Edmonton, AB	Retail	100.0%

<sup>(1)</sup> Consists of one commercial unit adjacent to 26 Wellington St. E., Toronto, ON.

During the year ended December 31, 2024, the REIT sold the investment properties noted below, one U.S. property under development and a 50% interest in one Canadian property under development. The REIT recognized a loss on sale of real estate assets, net of related costs of \$11,154.

Property	Segment	Ownership Interest Sold
1604 & 1720 Willow St., Campbell River, BC	Industrial	50.0%
10645 & 10625 State Bridge Rd., Alpharetta, GA	Retail	100.0%
1739 & 1741 Buford Hwy., Cumming, GA	Retail	100.0%
1764 & 1776 Kelly Douglas Rd., Kamloops, BC	Industrial	50.0%
450 Mackenzie Ave. & 265 Fifth Ave. S., Williams Lake, BC	Industrial	50.0%
1600 Boul. Lionel Boulet, Varennes, QC	Industrial	50.0%
25 Dockside Dr., Toronto, ON	Office	100.0%
510 E. Courtland St., Morton, IL	Industrial	100.0%
3777 Kingsway, Burnaby, BC	Office	50.0%
4750 101 St. N.W., Edmonton, AB	Industrial	50.0%
7900 Airport Rd., Brampton, ON	Industrial	50.0%

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**Years ended December 31, 2025 and 2024**

## 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.

The REIT views the methods and assumptions that are most relevant and significant to the estimated fair values of the REIT's real estate assets to be (i) and (ii) above. The comparable sales approach is used in limited instances for certain properties under development and a single investment property advancing through the process of rezoning.

During the year ended December 31, 2025, certain properties were valued by external independent appraisers or brokers. 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 year represent 18.9% and 31.2% of the fair value of investment properties and properties under development, respectively, as at December 31, 2025 (year ended December 31, 2024 - 16.3% and 41.5%, 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 <sup>(1)(3)</sup>			Weighted Average Discount Rates <sup>(2)(3)</sup>			Weighted Average Terminal Capitalization Rates <sup>(1)(2)(3)</sup>		
	Canada	United States	Total	Canada	United States	Total	Canada	United States	Total
<b>December 31, 2025</b>	<b>6.44%</b>	<b>5.54%</b>	<b>5.85%</b>	<b>7.10%</b>	<b>7.67%</b>	<b>7.22%</b>	<b>6.97%</b>	<b>7.14%</b>	<b>7.01%</b>
December 31, 2024	6.18%	5.69%	5.86%	6.93%	7.58%	7.12%	6.78%	7.21%	6.94%

<sup>(1)</sup> 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.

<sup>(2)</sup> Excludes the REIT's residential segment as these properties are valued using the direct capitalization method.

<sup>(3)</sup> Excludes properties advancing through the process of rezoning which have been valued in accordance with method (iii) above.

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## Fair value sensitivity:

The REIT's investment properties are classified as level 3 under the fair value hierarchy (note 20(d)), 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 December 31, 2025:

Capitalization Rate Sensitivity Increase (Decrease)	Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(0.75%)	5.10%	\$ 6,057,290	\$ 776,576	14.71%
(0.50%)	5.35%	\$ 5,774,239	\$ 493,525	9.35%
(0.25%)	5.60%	\$ 5,516,460	\$ 235,746	4.46%
<b>December 31, 2025</b>	<b>5.85%</b>	<b>\$ 5,280,714</b> <sup>(1) (2)</sup>	\$ —	—
0.25%	6.10%	\$ 5,064,291	\$ (216,423)	(4.10)%
0.50%	6.35%	\$ 4,864,910	\$ (415,804)	(7.87)%
0.75%	6.60%	\$ 4,680,633	\$ (600,081)	(11.36)%

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

<sup>(2)</sup> Excludes properties advancing through the process of rezoning which have been valued in accordance with method (iii) above.

## 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.

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Years ended December 31, 2025 and 2024

Description of equity accounted investments	Location	Operating segment	Ownership interest	
			December 31 2025	December 31 2024
Investments in joint ventures: <sup>(1)</sup>				
170 Butts Street	United States	Industrial	50.5 %	50.5 %
560 & 600 Slate Drive	Canada	Industrial	50.0 %	50.0 %
Central Pointe	United States	Residential	50.0 %	50.0 %
Sunny Creek	United States	Residential	33.3 %	33.3 %
Hercules Project	United States	Residential	31.7 %	31.7 %
Shoreline	United States	Residential	31.2 %	31.2 %
Investments in associates: <sup>(2)</sup>				
Jackson Park	United States	Residential	50.0 %	50.0 %
ECHO Realty LP ("ECHO") <sup>(3)</sup>	United States	Retail	33.1 %	33.2 %
Lantower Residential REDT (No. 1) JV LP ("REDT JV LP")	United States	Residential	29.1 %	29.1 %

<sup>(1)</sup> 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.

<sup>(2)</sup> Where the REIT has significant influence over the investment but does not have joint control over the operations.

<sup>(3)</sup> As at December 31, 2025 the equity investment in ECHO meets the criteria for classification as an asset held for sale. As a result, the equity method is no longer applied, and the net investment has been reclassified to assets held for sale.

During the year ended December 31, 2025, the REIT entered into a binding agreement with a third party to dispose of its investment in ECHO in January 2026 and determined that the investment met the criteria for classification as an asset held for sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5").

Upon classification as held for sale, the investment was measured at the lower of its carrying amount and fair value less costs to sell, and no impairment loss was recognized. The net investment has been reclassified to assets held for sale (note 5) in the consolidated statement of financial position, and the equity method is no longer applied.

As a result, ECHO's financial information is excluded from the table reconciling the REIT's share of net assets in equity accounted investments as at December 31, 2025, but continues to be included in the table reconciling the REIT's share of net income (loss) from equity accounted investments. Twelve months of income (loss) is included in the table, as the classification as held for sale was made effective December 2025.

In January 2026, the REIT sold its net investment in ECHO for \$438,400, which includes \$859,856 of assets, net of \$421,456 of liabilities.

During the year ended December 31, 2024, the REIT created Lantower Residential Real Estate Development Trust (No. 1) (the "REDT") which completed an initial public offering in April 2024. The REDT raised U.S. \$52,000 of equity capital from investors to acquire an interest in and fund the development of two residential development projects in Florida (the "REDT Projects"), totalling 601 residential rental units, that had been wholly-owned by a subsidiary of the REIT. The REIT contributed the land at a cost of U.S. \$21,326 to REDT JV LP, a joint venture with the REDT, in exchange for a 29.1% ownership interest in the REDT JV LP (the Canadian dollar equivalent of this amount is \$28,790 (note 3)). The REIT retains an option to acquire the REDT Projects, subject to approval by the investors of the REDT.

The REIT concluded that its investment in REDT JV LP is an "investment in associate" because all relevant decisions of REDT JV LP (which are focused on development, construction, project management, and leasing) are dependent on the approval of the independent trustees of the REDT, which provides the REDT the practical ability to direct these relevant activities, and therefore precludes the REIT from having control or joint control of this investment despite its 29.1% indirect ownership interest.

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**Years ended December 31, 2025 and 2024**

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.

The following tables summarize the total amounts of the financial information of the equity accounted investments and reconciles the summarized financial information to the REIT's share of net assets in these arrangements as at December 31, 2025 and December 31, 2024:

Equity accounted investments in:	.....Associates.....			Joint Ventures <sup>(2)</sup>	Total December 31, 2025
	ECHO <sup>(1)</sup>	Jackson Park	REDT JV LP		
Investment properties	\$—	\$1,808,400	\$—	\$451,626	\$2,260,026
Properties under development	—	—	225,667	400,815	626,482
Other assets	—	9,211	5,890	1,798	16,899
Cash and cash equivalents	—	6,183	480	8,254	14,917
Debt	—	(1,362,313)	(100,876)	(264,398)	(1,727,587)
Accounts payable and accrued liabilities	—	(16,741)	(19,919)	(17,041)	(53,701)
Net assets	—	444,740	111,242	581,054	1,137,036
REIT's share of net assets	\$—	\$222,728	\$32,360	\$229,614	\$484,702

<sup>(1)</sup> The net investment in ECHO has been classified as held for sale as at December 31, 2025.

<sup>(2)</sup> See the above table "Description of equity accounted investments" for the composition of the REIT's investments in joint ventures.

Equity accounted investments in:	.....Associates.....			Joint Ventures <sup>(1)</sup>	Total December 31, 2024
	ECHO <sup>(3)</sup>	Jackson Park	REDT JV LP		
Investment properties <sup>(2)</sup>	\$2,618,312	\$2,484,000	\$—	\$466,610	\$5,568,922
Properties under development	109,618	—	81,978	347,843	539,439
Other assets	89,422	3,946	5,963	3,467	102,798
Cash and cash equivalents	51,953	11,342	34,248	17,653	115,196
Debt	(1,167,032)	(1,429,782)	—	(285,871)	(2,882,685)
Accounts payable and accrued liabilities	(58,272)	(16,047)	(5,225)	(16,365)	(95,909)
Lease liabilities <sup>(2)</sup>	(89,828)	—	—	—	(89,828)
Non-controlling interest	(61,754)	—	—	—	(61,754)
Net assets	1,492,419	1,053,459	116,964	533,337	3,196,179
REIT's share of net assets	\$504,596	\$527,106	\$34,993	\$208,854	\$1,275,549

<sup>(1)</sup> See the above table "Description of equity accounted investments" for the composition of the REIT's investments in joint ventures.

<sup>(2)</sup> As at December 31, 2024 the total fair value of investment properties within equity accounted investments, net of the lease liabilities, was \$5,479,094.

<sup>(3)</sup> ECHO reported 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 November 30, 2024.

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## Notes to Consolidated Financial Statements

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### Years ended December 31, 2025 and 2024

The following tables summarize the total amounts of the financial information of the equity accounted investments and reconciles the summarized financial information to the REIT's share of net income (loss) in these arrangements for the year ended December 31, 2025 and the year ended December 31, 2024:

Net income (loss) from equity accounted investments in:	Year ended December 31, 2025				Total
	Associates			Joint Ventures <sup>(1)</sup>	
	ECHO	Jackson Park	REDT JV LP		
Rentals from investment properties	\$248,224	\$141,868	\$—	\$36,137	\$426,229
Property operating costs	(53,445)	(43,377)	(728)	(15,227)	(112,777)
Net income from equity accounted investments	174	—	—	—	174
Finance income	1,195	—	380	2,436	4,011
Finance cost - operations	(58,576)	(48,211)	—	(15,413)	(122,200)
Trust expenses, net	(19,791)	—	(319)	(57)	(20,167)
Fair value adjustment on financial instruments	(1,308)	—	—	(265)	(1,573)
Fair value adjustment on real estate assets	(174,059)	(565,641)	418	9,351	(729,931)
Gain (loss) on sale of real estate assets, net of related costs	4,607	—	—	(61)	4,546
Loss on foreign exchange	—	—	(3,022)	—	(3,022)
Transaction costs	(1,690)	—	—	—	(1,690)
Income tax expense	(273)	(37)	—	(178)	(488)
Net income (loss)	(54,942)	(515,398)	(3,271)	16,723	(556,888)
Net income attributable to non-controlling interest	(3,533)	—	—	—	(3,533)
Net income (loss) attributable to owners	(58,475)	(515,398)	(3,271)	16,723	(560,421)
REIT's share of net income (loss) attributable to unitholders	(\$19,383)	(\$257,699)	(\$952)	\$6,970	(\$271,064)

Net income (loss) from equity accounted investments in:	Year ended December 31, 2024				Total
	Associates			Joint Ventures <sup>(1)</sup>	
	ECHO	Jackson Park	REDT JV LP		
Rentals from investment properties	\$235,310	\$133,927	\$—	\$33,297	\$402,534
Property operating costs	(51,162)	(40,140)	(531)	(14,484)	(106,317)
Net income from equity accounted investments	1,294	—	—	—	1,294
Finance income	1,130	—	1,689	47	2,866
Finance cost - operations	(60,102)	(47,302)	—	(19,405)	(126,809)
Trust expenses, net	(15,132)	—	(242)	(48)	(15,422)
Fair value adjustment on financial instruments	(1,945)	—	—	(1,420)	(3,365)
Fair value adjustment on real estate assets	(170,007)	1,281	10,148	(15,838)	(174,416)
Gain (loss) on sale of real estate assets, net of related costs	(3,009)	—	—	(5)	(3,014)
Gain on foreign exchange	—	—	2,942	—	2,942
Income tax expense	(286)	(32)	—	(307)	(625)
Net income (loss)	(63,909)	47,734	14,006	(18,163)	(20,332)
Net income attributable to non-controlling interest	(3,777)	—	—	—	(3,777)
Net income (loss) attributable to owners	(67,686)	47,734	14,006	(18,163)	(24,109)
REIT's share of net income (loss) attributable to unitholders	(\$22,504)	\$23,867	\$4,076	(\$2,962)	\$2,477

<sup>(1)</sup> 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, 2024 to November 30, 2025 and December 1, 2023 to November 30, 2024, respectively.

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## 5. Assets and liabilities classified as held for sale:

As at December 31, 2025, the REIT had 26 retail properties, four office properties and a net investment in ECHO classified as held for sale. In January 2026, the REIT sold its net investment in ECHO, 23 Canadian retail properties and two Canadian office properties for net proceeds of approximately \$727,300 before closing costs.

Subsequent to the dispositions in January 2026, assets held for sale is comprised of: (i) Hess Tower, a Houston, TX office property, (ii) the remaining three Canadian retail properties and (iii) 25 Sheppard Ave. W, Toronto, ON.

As at December 31, 2024, the REIT had four retail properties as well as a 50% interest in four retail properties classified as held for sale, all of which have been sold in 2025.

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

	Note	December 31 2025	December 31 2024
<b>Assets</b>			
Real estate assets:			
Investment properties		\$704,500	\$59,880
Net investment in ECHO <sup>(1)</sup>		438,400	—
		<b>\$1,142,900</b>	<b>\$59,880</b>
<b>Liabilities</b>			
Mortgages payable		\$—	\$13,033

<sup>(1)</sup> The net investment in ECHO includes \$859,856 of assets, net of \$421,456 of liabilities.

## 6. Other assets:

	Note	December 31 2025	December 31 2024
Mortgages receivable - net of provision for expected credit loss of nil (2024 - \$28,105) <sup>(1) (2) (3)</sup>		\$220,263	\$125,661
Prepaid expenses and sundry assets		22,250	19,121
Accounts receivable - net of provision for expected credit loss of \$2,225 (2024 - \$2,863)		6,098	5,684
Restricted cash		9,988	12,787
Derivative instruments	12	14,311	13,993
		<b>\$272,910</b>	<b>\$177,246</b>
<b>Current</b>			
		<b>\$139,816</b>	<b>\$103,456</b>
<b>Non-current</b>			
		<b>133,094</b>	<b>73,790</b>
		<b>\$272,910</b>	<b>\$177,246</b>

<sup>(1)</sup> Mortgages receivable as at December 31, 2025 include \$220,263 classified as amortized cost (December 31, 2024 - \$125,661). As at December 31, 2025, mortgages receivable bear interest at effective rates between 4.40% and 10.00% per annum (December 31, 2024 - between 2.50% and 8.88% per annum) with a weighted average effective rate of 8.20% per annum (December 31, 2024 - 6.92%), and mature between 2026 and 2029 (December 31, 2024 - between 2025 and 2029).

<sup>(2)</sup> Includes the REDT Loan (note 25(c)) which, as at December 31, 2025, had an outstanding balance of \$100,876 (December 31, 2024 - nil).

<sup>(3)</sup> In April 2025, the REIT sold a mortgage receivable for \$15,000. In 2025, the REIT recorded an incremental provision for expected credit loss of \$268 (note 16), which resulted in a lifetime provision of \$28,373. The REIT wrote off the lifetime provision upon the sale of the mortgage receivable.

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**Years ended December 31, 2025 and 2024**

The following is a summary of the changes in mortgages receivable for the year ended December 31, 2025:

	<i>Note</i>	<b>December 31 2025</b>
Balance, beginning of year		<b>\$125,661</b>
<b>Cash activities:</b>		
Advances of mortgages receivable		<b>102,398</b>
Repayments of mortgages receivable		<b>(17,045)</b>
<b>Non-cash activities:</b>		
Adjustments of mortgages receivable		<b>6,804</b>
Provision for expected credit loss		<b>(268)</b>
Non-cash adjustments on mortgages receivable	<i>17</i>	<b>6,536</b>
Mortgages receivable from the sale of investment properties	<i>17</i>	<b>3,000</b>
Change in foreign exchange		<b>(2,375)</b>
Mark-to-market of mortgages receivable		<b>2,088</b>
Balance, end of year		<b>\$220,263</b>

Future repayments of mortgages receivable based on contractual maturities are as follows:

	<b>December 31 2025</b>
Years ending December 31:	
2026	<b>\$97,209</b>
2027	<b>—</b>
2028	<b>16,020</b>
2029	<b>107,034</b>
2030	<b>—</b>
Thereafter	<b>—</b>
	<b>\$220,263</b>

## 7. Cash and cash equivalents:

Cash and cash equivalents as at December 31, 2025 included cash on hand of \$52,137 (December 31, 2024 - \$100,354).

Included in cash and cash equivalents as at December 31, 2025 were U.S. dollar denominated amounts of U.S. \$25,750 (December 31, 2024 - U.S. \$57,202). The Canadian dollar equivalent of these amounts is \$35,278 (December 31, 2024 - \$82,371).

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Years ended December 31, 2025 and 2024

## 8. Debt:

The REIT's debt consists of the following items:

	Note	December 31 2025	December 31 2024
Mortgages payable	8(a)	\$1,202,008	\$1,376,592
Debentures payable	8(b)	798,836	1,197,958
Unsecured term loans	8(c)	625,000	625,000
Lines of credit	8(d)	876,047	337,834
		<b>\$3,501,891</b>	<b>\$3,537,384</b>

The following is a summary of the changes in debt for the year ended December 31, 2025:

Note	Mortgages Payable	Debentures Payable	Unsecured Term Loans	Lines of Credit	Total
Opening balance, beginning of year	\$1,376,592	\$1,197,958	\$625,000	\$337,834	\$3,537,384
Scheduled amortization payments	(35,002)	—	—	(1,447)	(36,449)
Debt repayments	(92,543)	(400,000)	—	—	(492,543)
Advances	824	—	—	539,660	540,484
Effective interest rate accretion	1,522	878	—	—	2,400
Change in foreign exchange	(49,385)	—	—	—	(49,385)
Closing balance, end of year	\$1,202,008	\$798,836	\$625,000	\$876,047	\$3,501,891

### (a) Mortgages payable:

The mortgages payable are secured by 31 real estate assets with an aggregate fair value of \$2,574,364 (December 31, 2024 - 36 real estate assets with an aggregate fair value of \$3,211,438), bearing interest at fixed rates with a contractual weighted average rate of 4.00% (December 31, 2024 - 4.00%) per annum and maturing between 2026 and 2030 (December 31, 2024 - maturing between 2025 and 2030). Included in mortgages payable as at December 31, 2025 were U.S. dollar denominated mortgages of U.S. \$653,619 (December 31, 2024 - U.S. \$730,874). The Canadian dollar equivalent of these amounts is \$895,458 (December 31, 2024 - \$1,052,459).

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.

Future principal mortgage payments are as follows:

	December 31 2025
Years ending December 31:	
2026	\$116,469
2027	449,366
2028	504,068
2029	87,675
2030	47,770
Thereafter	—
	<b>1,205,348</b>
Financing costs and mark-to-market adjustment arising on acquisitions	<b>(3,340)</b>
	<b>\$1,202,008</b>

# H&R REAL ESTATE INVESTMENT TRUST

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## (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:

				December 31	December 31
				2025	2024
	Maturity	Contractual interest rate	Effective interest rate	Principal amount	Carrying value
<b>Unsecured Senior Debentures:</b>					
Series Q Senior Debentures	June 16, 2025 <sup>(1)</sup>	4.07%	4.19%	\$—	\$—
Series R Senior Debentures	June 2, 2026	2.91%	3.00%	250,000	249,674
Series S Senior Debentures	February 19, 2027	2.63%	2.72%	300,000	299,491
Series T Senior Debentures	February 28, 2029	5.46%	5.56%	250,000	248,999
		3.60%	3.69%	\$800,000	\$1,197,958

<sup>(1)</sup> In June 2025, the REIT repaid all of its outstanding Series Q senior debentures upon maturity for a cash payment of \$400,000.

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

At its option, the REIT may redeem any of the fixed rate Senior Debentures, in whole at any time, or in part from time to time prior to the specified par call date on payment of a redemption price equal to the greater of (a) the Canada Yield Price as defined in the relevant supplemental trust indenture and (b) par, together in each case with accrued and unpaid interest to the date fixed for redemption. Between the specified par call date and maturity, the Senior Debentures may be redeemed on payment of a redemption price equal to par. The REIT will give notice of any redemption at least 10 days, but not more than 60 days, before the date fixed for redemption, which redemption may be upon such conditions as specified in such notice. Where less than all of any Senior Debentures are to be redeemed pursuant to their terms, the Senior Debentures to be so redeemed will be redeemed on a pro rata basis according to the principal amount of Senior Debentures registered in the respective name of each holder of Senior Debentures or in such other manner as the indenture trustee may consider equitable.

## (c) Unsecured term loans:

The REIT has the following unsecured term loans:

		December 31	December 31
	Maturity Date	2025	2024
Unsecured term loan #1 <sup>(1)</sup>	January 6, 2026	\$250,000	\$250,000
Unsecured term loan #2 <sup>(2)</sup>	November 30, 2026	125,000	125,000
Unsecured term loan #3 <sup>(3)</sup>	March 7, 2027	250,000	250,000
		\$625,000	\$625,000

<sup>(1)</sup> In January 2026, the REIT repaid the unsecured term loan with a cash payment of \$250,000, and the interest rate swap fixing the interest rate at 4.14% per annum matured (note 12).

<sup>(2)</sup> In January 2026, the REIT repaid the unsecured term loan with a cash payment of \$125,000, and the interest rate swap fixing the interest rate at 5.19% per annum was terminated (note 12).

<sup>(3)</sup> The REIT entered into an interest rate swap to fix the interest rate at 3.39% per annum. The swap matures on May 7, 2030 (note 12).

# H&R REAL ESTATE INVESTMENT TRUST

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(d) Lines of credit:

The REIT has the following lines of credit:

	Maturity Date	Total Facility	Amount Drawn	Outstanding Letters of Credit	Available Balance
<b>Revolving unsecured operating lines of credit:</b>					
Revolving unsecured line of credit	September 20, 2027	\$150,000	(\$141,000)	\$—	\$9,000
Revolving unsecured line of credit	December 14, 2027	230,000	—	—	230,000
Revolving unsecured line of credit	December 14, 2029	520,000	(467,660)	(502)	51,838
Revolving unsecured letter of credit facility		60,000	—	(34,025)	25,975
Sub-total		960,000	(608,660)	(34,527)	316,813
<b>Non-revolving secured operating line of credit<sup>(1)</sup>:</b>					
REIT and CrestPSP non-revolving secured line of credit	March 14, 2026	267,387	(267,387)	—	—
<b>December 31, 2025</b>		<b>\$1,227,387</b>	<b>(\$876,047)</b>	<b>(\$34,527)</b>	<b>\$316,813</b>
December 31, 2024		\$1,228,834	(\$337,834)	(\$47,439)	\$843,561

<sup>(1)</sup> Secured by certain investment properties.

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 December 31, 2025 are U.S. dollar denominated amounts of \$18,000 (December 31, 2024 - U.S. nil). The Canadian equivalent of these amounts are \$24,660 (December 31, 2024 - nil).

The Senior Debentures, unsecured term loans and lines of credit of the REIT contain certain covenants and conditions applicable to the REIT, including without limitation, those requiring the REIT 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; (iii) ratio of unencumbered investment properties to unsecured indebtedness of not less than 1.40:1.0; and (iv) unitholders' equity of not less than \$1.0 billion for Senior Debentures and \$2.0 billion for unsecured term loans and lines of credit. In addition, certain of the REIT's mortgage providers have minimum limits on debt service coverage ratios ranging from 1.10 to 1.35. As at December 31, 2025, the REIT was in compliance with each of the preceding financial ratios.

## 9. Exchangeable units:

As at December 31, 2025, certain of the REIT's subsidiaries had in aggregate 15,441,644 (December 31, 2024 - 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 FVTPL. 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 December 31, 2025 was \$10.23 (December 31, 2024 - \$9.28) per Unit.

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

	<b>December 31</b>	December 31
	<b>2025</b>	2024
Carrying value, beginning of year	<b>\$166,800</b>	\$177,944
Exchanged for Units	<b>(25,649)</b>	—
(Gain) loss on fair value of exchangeable units	<b>16,817</b>	(11,144)
Carrying value, end of year	<b>\$157,968</b>	\$166,800

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, 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.

### (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 Canada 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.

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**Years ended December 31, 2025 and 2024**

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

	December 31, 2025			December 31
	The Bow	100 Wynford	Total	2024
Income producing property - fair value <sup>(1)</sup>	\$897,474	\$93,565	\$991,039	\$1,040,254
Deferred revenue - net of amortization of \$160,846 (2024 - \$116,622)	768,689	93,450	862,139	906,363

<sup>(1)</sup> 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 consolidated statements of comprehensive income (loss):

	Year ended December 31			
	The Bow	100 Wynford	2025	2024
Rental income earned	\$15,373	\$—	\$15,373	\$15,421
Rental income earned - non-cash	85,803	8,756	94,559	93,736
Revenue reimbursement for property operating costs	53,253	1,970	55,223	53,653
Property operating costs	(53,417)	(1,970)	(55,387)	(53,775)
Net operating income	101,012	8,756	109,768	109,035
Accretion finance expense on deferred revenue - non-cash	(49,362)	(973)	(50,335)	(52,428)
Fair value adjustment on real estate assets - non-cash	(41,487)	(7,944)	(49,431)	(45,783)
Net income (loss)	\$10,163	(\$161)	\$10,002	\$10,824

## 11. Accounts payable and accrued liabilities:

	Note	December 31 2025	December 31 2024
<b>Current:</b>			
Other accounts payable and accrued liabilities		\$152,809	\$186,635
Distributions payable to unitholders		13,227	44,542
Distributions payable to exchangeable unitholders		771	3,055
Debt interest payable		12,927	14,692
Prepaid rent		24,614	28,162
Unit-based compensation payable:			
Options	13(b)	—	66
Incentive units	13(b)	5,526	4,462
Derivative instruments	12	4,352	—
Security deposits		6,819	6,157
<b>Sub-total current</b>		<b>221,045</b>	<b>287,771</b>
<b>Non-current:</b>			
Derivative instruments	12	—	4,899
Security deposits		4,949	4,614
Unit-based compensation payable:			
Incentive units	13(b)	11,795	7,694
<b>Sub-total non-current</b>		<b>16,744</b>	<b>17,207</b>
		<b>\$237,789</b>	<b>\$304,978</b>

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## 12. Derivative instruments:

	Maturity	Fair value asset (liability)*		Net unrealized gain (loss) on derivative instruments	
		December 31	December 31	Years ended December 31	
		2025	2024	2025	2024
Foreign exchange hedge <sup>(1)</sup>	April 10, 2024	\$—	\$—	\$—	(\$1,733)
Term loan interest rate swap <sup>(2)</sup>	January 6, 2026	10	1,695	(1,685)	(6,476)
Foreign exchange hedge <sup>(3)</sup>	January 30, 2026	4,260	—	4,260	—
Debt interest rate swap <sup>(4)</sup>	September 29, 2027	(4,352)	(4,899)	547	(3,670)
Term loan interest rate swap <sup>(5)</sup>	May 7, 2030	10,041	12,298	(2,257)	(7,717)
		\$9,959	\$9,094	\$865	(\$19,596)

The REIT entered into swaps as follows:

<sup>(1)</sup> Foreign exchange rate fixed at \$1.38 on U.S. \$10,000, monthly. The hedge terminated in April 2024.

<sup>(2)</sup> Interest rate fixed at 4.14% per annum for the \$250,000 term loan. The interest rate swap terminated in January 2026.

<sup>(3)</sup> Foreign exchange rate fixed at \$1.39 on U.S. \$220,000. The hedge terminated in January 2026.

<sup>(4)</sup> Interest rate fixed at 5.19% per annum on \$250,000 of variable rate debt, which included a \$125,000 unsecured term loan. The hedge was settled in January 2026.

<sup>(5)</sup> Interest rate fixed at 3.39% 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 of \$14,311 (December 31, 2024 - \$13,993) are recorded in other assets (note 6) and derivative instruments in a liability position of \$4,352 (December 31, 2024 - \$4,899) are recorded in accounts payable and accrued liabilities (note 11).

## 13. Unitholders' equity:

The REIT is an unincorporated open-ended trust. The beneficial interests in the REIT are divided into two classes of trust units: units of the REIT and special voting units.

### (a) Description of Units:

Each Unit and special voting unit carries a single vote at any meeting of unitholders. Holders of special voting units do not have any additional rights than those of holders of Units. The aggregate number of Units which the REIT may issue is unlimited and the aggregate number of special voting units which the REIT may issue is 13,013,698 (December 31, 2024 - 13,013,698). Units carry the right to participate pro rata in any distributions. As at December 31, 2025, there were 13,013,698 (December 31, 2024 - 13,013,698) special voting units issued and outstanding.

Units are listed and posted for trading on the TSX under the symbol HR.UN.

Units are freely transferable and the trustees shall not impose any restriction on the transfer of Units.

Unitholders have the right to require the REIT to redeem their Units on demand. Upon valid tender for redemption of each Unit, the unitholder is entitled to receive a price per Unit as determined by a formula based on the market price of a Unit. The redemption price payable by the REIT will be satisfied by way of a cash payment to the unitholder or, in certain circumstances, including where such payment would cause the REIT's monthly cash redemption obligations to exceed \$50 (subject to adjustment in certain circumstances or waiver by the trustees), an *in specie* distribution of notes of H&R Portfolio LP Trust (a subsidiary of the REIT).

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

	<b>December 31 2025</b>	December 31 2024
Balance, beginning of year	<b>262,015,592</b>	261,867,587
Issuance of Units:		
Incentive units settled in Units	<b>9,788</b>	148,005
Exchangeable units exchanged into Units	<b>2,532,542</b>	—
Distribution in Units	<b>3,879,148</b>	16,940,663
Consolidation of Units	<b>(3,879,148)</b>	(16,940,663)
Balance, end of year	<b>264,557,922</b>	262,015,592

The weighted average number of basic Units for the year ended December 31, 2025 was 262,559,666 (December 31, 2024 - 261,958,853).

(b) 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 December 31, 2025, options to acquire up to 7,264,178 Units were granted and outstanding (December 31, 2024 - 8,570,810) with no options remaining available for grant (December 31, 2024 - nil). 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 years are as follows:

	<b>December 31, 2025</b>		December 31, 2024	
	<b>Options</b>	<b>Weighted average exercise price</b>	Options	Weighted average exercise price
Outstanding and vested, beginning of year	<b>8,570,810</b>	<b>\$14.19</b>	8,805,638	\$14.24
Expired	<b>(1,306,632)</b>	<b>16.02</b>	(234,828)	16.19
Outstanding and vested, end of year	<b>7,264,178</b>	<b>\$13.86</b>	8,570,810	\$14.19

The outstanding and vested options as at December 31, 2025 are exercisable at a price of \$13.86 and expire on February 24, 2026.

The outstanding and vested options as at December 31, 2024 were exercisable at varying prices ranging from \$13.86 to \$16.02 and had a weighted average remaining life of 1.0 year.

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## (ii) Incentive unit plan:

As at December 31, 2025, a maximum of 5,000,000 (December 31, 2024 - 5,000,000) incentive units exchangeable into Units were authorized to be issued. The REIT has granted 2,439,826 (December 31, 2024 - 2,077,221) incentive units which remain outstanding, 614,764 (December 31, 2024 - 513,455) incentive units have been settled for Units and 1,945,410 (December 31, 2024 - 2,409,324) 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 December 31, 2025, 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.

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.

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

	<b>December 31 2025</b>	December 31 2024
	<b>Incentive units</b>	Incentive units
Outstanding, beginning of year	<b>2,077,221</b>	1,672,059
Granted	<b>880,049</b>	1,057,248
Expired	—	(36,706)
Settled	<b>(517,444)</b>	(615,380)
Outstanding, end of year	<b>2,439,826</b>	2,077,221

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

	<b>December 31 2025</b>	December 31 2024
Options	<b>\$—</b>	\$66
Incentive units	<b>17,321</b>	12,156
	<b>\$17,321</b>	\$12,222

Unit-based compensation (expense) recovery included in trust expenses, net is as follows:

	<b>2025</b>	2024
Options	<b>\$66</b>	\$1,178
Incentive units	<b>(9,980)</b>	(5,084)
	<b>(\$9,914)</b>	(\$3,906)

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## (c) Distributions:

Under the REIT's Declaration of Trust, the total amount of income of the REIT to be distributed to unitholders for each calendar month shall be subject to the discretion of the trustees however, the total income distributed in a calendar year shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for any year. The method of payment is at the discretion of the trustees.

For the year ended December 31, 2025, the REIT declared distributions per Unit of \$0.75 (December 31, 2024 - \$1.32) comprised of: (i) monthly cash distributions in aggregate of \$0.60 per Unit (December 31, 2024 - \$0.60 per Unit); (ii) a special cash distribution of nil per Unit (December 31, 2024 - \$0.12 per Unit); and (iii) a special distribution in Units of \$0.15 per Unit (December 31, 2024 - \$0.60 per Unit) which were immediately consolidated such that there was no change in the number of outstanding Units.

## 14. Accumulated other comprehensive income:

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

	December 31, 2025			December 31 2024
	Cash flow hedges	Foreign operations	Total	Total
Opening balance, beginning of year	(\$79)	\$720,000	\$719,921	\$326,629
Transfer of realized loss on cash flow hedges to net loss	26	—	26	27
Unrealized gain (loss) on translation of U.S. denominated foreign operations	—	(219,599)	(219,599)	394,945
Net loss on hedges of net investments in foreign operations	—	—	—	(1,680)
	26	(219,599)	(219,573)	393,292
Closing balance, end of year	(\$53)	\$500,401	\$500,348	\$719,921

## 15. Rentals from investment properties:

	2025	2024
Rental income	\$651,074	\$654,913
Revenue from services	156,182	149,045
Straight-lining of contractual rent	12,380	17,606
Rent amortization of tenant inducements	(4,508)	(4,574)
	\$815,128	\$816,990

### Operating leases:

The REIT leases its investment properties under operating leases. The future minimum lease payments under non-cancellable leases, excluding amounts related to assets held for sale, are as follows:

	2025	2024
Less than 1 year	\$412,272	\$493,603
Between 1 and 5 years	1,110,641	1,331,936
More than 5 years	1,139,692	1,606,757
	\$2,662,605	\$3,432,296

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## 16. Finance costs:

	Note	2025	2024
Finance cost - operations			
Contractual interest on mortgages payable		(\$50,701)	(\$57,471)
Contractual interest on debentures payable		(36,212)	(43,842)
Contractual interest on unsecured term loans		(28,313)	(40,160)
Net effect of interest rate swaps on unsecured term loans		3,035	14,906
Bank interest and charges on lines of credit		(31,238)	(24,887)
Effective interest rate accretion		(4,256)	(4,724)
Accretion finance expense on deferred revenue	10	(50,335)	(52,428)
Exchangeable unit distributions		(10,355)	(12,941)
Provision for expected credit loss	6	(268)	(37,605)
		<b>(208,643)</b>	<b>(259,152)</b>
Capitalized interest <sup>(1)</sup>		3,092	12,323
		<b>(205,551)</b>	<b>(246,829)</b>
Finance income		14,498	11,577
Fair value adjustment on financial instruments <sup>(2)</sup>		(17,498)	(8,452)
		<b>(\$208,551)</b>	<b>(\$243,704)</b>

<sup>(1)</sup> The weighted average rate of borrowings for the capitalized interest was 6.30% for the year ended December 31, 2025 (for the year ended December 31, 2024 - 6.17%).

<sup>(2)</sup> Includes (\$1,546) dilution of an investment in associate for the year ended December 31, 2025.

## 17. Supplemental cash flow information:

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

	2025	2024
Accrued rents receivable	(\$12,255)	(\$17,723)
Prepaid expenses and sundry assets	(5,005)	20,582
Accounts receivable	(611)	221
Accounts payable and accrued liabilities	(45,711)	(394)
	<b>(\$63,582)</b>	<b>\$2,686</b>

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

	Note	2025	2024
Non-cash items:			
Non-cash adjustment to proceeds from issuance of Units		\$102	\$1,413
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		—	(24,847)
Non-cash assumption of mortgage payable on disposition of asset held for sale		(13,033)	—
Non-cash adjustments on mortgages receivable	6	6,536	(37,605)
Mortgages receivable from the sale of investment properties	6	3,000	34,668
Transfer of properties under development to equity accounted investments	3	—	(28,790)
Other items:			
Change in right-of-use assets and lease liabilities	3	—	28,550
Change in distributions payable to unitholders	11	31,315	(5,263)
Change in debt interest payable included in finance cost - operations	11	1,765	(2,177)
Change in distributions payable to exchangeable unit holders included in finance cost - operations	11	2,284	(359)
Change in pre-acquisition costs applied to the acquisition of a property under development		—	21,974
Capitalized interest on properties under development	16	(3,092)	(10,104)

## 18. Transaction costs:

During the year ended December 31, 2025, the REIT incurred \$12,740 in transaction costs relating to the strategic review process, which primarily consists of legal and advisor fees for the REIT and a special committee of independent Trustees (the "Special Committee") formed in February 2025 to review and consider strategic alternatives after receiving an unsolicited expression of interest.

## 19. Capital risk management:

The REIT's objective when managing capital 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.

The REIT considers its capital to be:

	December 31 2025	December 31 2024
Debt	\$3,501,891	\$3,537,384
Exchangeable units	157,968	166,800
Unitholders' equity	4,135,718	5,278,743
	<b>\$7,795,577</b>	<b>\$8,982,927</b>

As long as the REIT complies with its investment and debt restrictions set out in its Declaration of Trust, it is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes in economic conditions.

The REIT's level of indebtedness is subject to the limitations set out in its Declaration of Trust. The REIT is limited to a total indebtedness to total assets ratio of 65%. As at December 31, 2025, this ratio was 38.4% (December 31, 2024 - 33.4%). Management uses this ratio as a key indicator in managing the REIT's capital.

In addition to the above key ratio, the REIT's debt has various covenants calculated as defined within these agreements. The REIT monitors these covenants and was in compliance as at and for the years ended December 31, 2025 and December 31, 2024.

# H&R REAL ESTATE INVESTMENT TRUST

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## 20. Risk management:

### (a) Credit risk:

The REIT is exposed to credit risk in the event that borrowers default on the repayment of the amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided in support of mortgages receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. Management has historically diversified the REIT's holdings so that it owns several categories of properties (residential, industrial, office and retail) and acquires properties throughout Canada and the United States. In recent years, as part of the REIT's strategic planning, this diversification has been reduced, with an increased focus on residential and industrial assets only. This decreased diversification exposes the REIT to more risks with the associated asset classes, but reduces the REIT's risk relating to office and retail assets.

Generally, Management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the REIT's cash flow.

To manage tenant concentration risk, the REIT's Declaration of Trust restricts the leasing of real property to any person where that person and its affiliates would, after the contemplated lease, be leasing real property having an aggregate leasable area in excess of 20% of the aggregate leasable area of all real property held by the REIT, unless the lessee is, or the lease is guaranteed by, the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality in Canada or the United States, any agency or crown corporation thereof, a Canadian chartered bank or certain trust or insurance companies, and certain issuers, the securities of which meet stated investment criteria or are investment grade. At December 31, 2025, the REIT was in compliance with this restriction. Furthermore, the only tenants which individually account for more than 5% of the rentals from investment properties of the REIT are Hess Corporation and New York City Department of Health. Hess Corporation and New York City Department of Health both have a public debt rating that is rated with at least an A+ Stable rating by a recognized rating agency. In addition, the REIT's exposure to Hess Corporation will be eliminated upon completion of the sale of Hess Tower in Q1 2026.

The carrying amount of receivables represents the maximum credit exposure, therefore the REIT's exposure to credit risk on receivables is as follows:

	<i>Note</i>	<b>December 31</b> <b>2025</b>	December 31 2024
Mortgages receivable	6	<b>\$220,263</b>	\$125,661
Accounts receivable	6	<b>6,098</b>	5,684
		<b>\$226,361</b>	\$131,345

### (b) Liquidity risk:

The REIT is subject to liquidity risk whereby the REIT may not be able to refinance or pay its debt obligations when they become due.

The REIT manages liquidity risk by:

- Ensuring appropriate unsecured term loans and lines of credit are available. As at December 31, 2025, the consolidated amount available under its lines of credit was \$316,813 (note 8(d));
- Maintaining a large unencumbered asset pool. As at December 31, 2025, there were 74 unencumbered properties with a fair value of \$3,894,795; and
- Structuring its financing so as to stagger the maturities of its debt, thereby minimizing exposure to liquidity risk in any one year (note 8).

Management monitors the REIT's liquidity risk through review of financial covenants contained in bank credit facility agreements, debt agreements and compliance with the REIT's Declaration of Trust.

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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The REIT's obligations are as follows:

	Note	2026	Thereafter	Total
Debt <sup>(1)</sup>	8	\$1,008,856	\$2,497,539	\$3,506,395
Accounts payable and accrued liabilities	11	221,045	16,744	237,789
		\$1,229,901	\$2,514,283	\$3,744,184

<sup>(1)</sup> Amounts only include principal repayments.

(c) Market risk:

The REIT is subject to currency risk and interest rate risk. The REIT's objective is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

(i) Currency risk:

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. A portion of the REIT's properties are located in the United States, resulting in the REIT being subject to foreign currency fluctuations which may impact its financial position and results. In order to mitigate the foreign exchange risk, the REIT's debt on U.S. properties are also denominated in U.S. dollars to act as a natural hedge.

A \$0.10 weakening of the U.S. dollar against the average Canadian dollar exchange rate of \$1.40 for the year ended December 31, 2025 (December 31, 2024 - \$1.37), as well as the Canadian dollar exchange rate as at December 31, 2025 of \$1.37 (December 31, 2024 - \$1.44), would have increased net loss by approximately \$32,000 (December 31, 2024 - decreased net income by \$300) and decreased other comprehensive income (loss) by approximately \$169,000 (December 31, 2024 - decreased by \$203,000). Conversely, a \$0.10 strengthening of the U.S. dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes this risk by obtaining long-term fixed interest rate debt. At December 31, 2025, the percentage of fixed rate debt to total debt was 78.0% (December 31, 2024 - 94.0%). Therefore, a change in interest rates at the reporting date would not have a material impact on net income as the majority of the REIT's borrowings are through fixed rate instruments.

As at December 31, 2025, lines of credit of \$751,047 (December 31, 2024 - \$337,834) are subject to variable interest rates. An increase in interest rates of 100 basis points for the year ended December 31, 2025 would have decreased net income by approximately \$7,500 (December 31, 2024 - decreased by \$2,100). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

As at December 31, 2025, there were no mortgages payable, debentures payable or term loans subject to variable interest rates (December 31, 2024 - nil).

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

**Years ended December 31, 2025 and 2024**

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(d) Fair value measurement:

*(i) Financial assets and liabilities carried at amortized cost:*

The fair values of the REIT's accounts receivable, restricted cash, 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 value 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.

*(ii) Fair value of assets and liabilities:*

Assets and liabilities measured at fair value in the consolidated statements of financial position, or disclosed in the notes to the 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).

# H&R REAL ESTATE INVESTMENT TRUST

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December 31, 2025	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
<b>Assets measured at fair value:</b>						
Investment properties	3	\$—	\$—	\$6,370,453	\$6,370,453	\$6,370,453 <sup>(1)</sup>
Properties under development	3	—	—	785,184	785,184	785,184
Assets classified as held for sale	5	—	—	1,142,900	1,142,900	1,142,900
Derivative instruments	12	—	14,311	—	14,311	14,311
<b>Assets for which fair values are disclosed:</b>						
Mortgages receivable	6	—	222,640	—	222,640	220,263
		—	236,951	8,298,537	8,535,488	8,533,111
<b>Liabilities measured at fair value:</b>						
Exchangeable units	9	(157,968)	—	—	(157,968)	(157,968)
Derivative instruments	12	—	(4,352)	—	(4,352)	(4,352)
<b>Liabilities for which fair values are disclosed:</b>						
Mortgages payable	8(a)	—	(1,179,477)	—	(1,179,477)	(1,202,008)
Debentures payable	8(b)	—	(817,798)	—	(817,798)	(798,836)
Unsecured term loans	8(c)	—	(627,109)	—	(627,109)	(625,000)
Lines of credit	8(d)	—	(879,056)	—	(879,056)	(876,047)
		(157,968)	(3,507,792)	—	(3,665,760)	(3,664,211)
		(\$157,968)	(\$3,270,841)	\$8,298,537	\$4,869,728	\$4,868,900
<b>December 31, 2024</b>						
	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value
<b>Assets measured at fair value:</b>						
Investment properties	3	\$—	\$—	\$7,996,810	\$7,996,810	\$7,996,810 <sup>(1)</sup>
Properties under development	3	—	—	1,010,648	1,010,648	1,010,648
Assets classified as held for sale	5	—	—	59,880	59,880	59,880
Derivative instruments	12	—	13,993	—	13,993	13,993
<b>Assets for which fair values are disclosed:</b>						
Mortgages receivable	6	—	125,158	—	125,158	125,661
		—	139,151	9,067,338	9,206,489	9,206,992
<b>Liabilities measured at fair value:</b>						
Exchangeable units	9	(166,800)	—	—	(166,800)	(166,800)
Derivative instruments	12	—	(4,899)	—	(4,899)	(4,899)
Liabilities classified as held for sale	5	—	(13,033)	—	(13,033)	(13,033)
<b>Liabilities for which fair values are disclosed:</b>						
Mortgages payable	8(a)	—	(1,317,577)	—	(1,317,577)	(1,376,592)
Debentures payable	8(b)	—	(1,208,983)	—	(1,208,983)	(1,197,958)
Unsecured term loans	8(c)	—	(618,841)	—	(618,841)	(625,000)
Lines of credit	8(d)	—	(339,313)	—	(339,313)	(337,834)
		(166,800)	(3,502,646)	—	(3,669,446)	(3,722,116)
		(\$166,800)	(\$3,363,495)	\$9,067,338	\$5,537,043	\$5,484,876

<sup>(1)</sup> The REIT legally sold the Bow and 100 Wynford in October 2021 and August 2022, respectively (note 10). However, as the transactions did not meet the criteria of a transfer of control under IFRS 15, \$991,039 is included in the tables above as at December 31, 2025 (December 31, 2024 - \$1,040,254).

# H&R REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements

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

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## 21. Compensation of key management personnel:

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the REIT's activities, directly or indirectly.

	2025	2024
Salaries and short-term employee benefits	(\$8,980)	(\$8,645)
Unit-based compensation	(\$7,021)	(2,714)
	(\$16,001)	(\$11,359)

## 22. Related party transactions:

The REIT's related parties include joint ventures, associates or entities that are controlled or significantly influenced by the REIT. Activity and transactions with joint ventures and associates are disclosed in note 4.

Included in transaction costs for the year ended December 31, 2025 is \$863 primarily for legal services and Special Committee fees (December 31, 2024 - nil).

The REIT has entered into various transactions with the REDT, including: (i) a development agreement; (ii) an asset management agreement; and (iii) the REDT Loan (note 25(c)). In addition, the REIT has entered into a mortgage receivable with Sunny Creek, a site located in Carlsbad, CA, in which the REIT has a 33.3% non-managing interest and a development agreement with 560 & 600 Slate Drive, a site located in Mississauga, ON, in which the REIT has a 50.0% managing ownership interest. The following is a summary of fees earned pursuant to these agreements:

	2025	2024
Trust expenses, net:		
Development management fee earned	\$7,440	\$1,497
Asset management fees earned	728	530
Financing fees earned	2,054	—
	10,222	2,027
Finance income - interest earned	4,748	1,170
	\$14,970	\$3,197

Amounts due from related parties recorded in other assets (note 6) include:

	Note	December 31 2025	December 31 2024
REDT Loan receivable	25(c)	\$100,876	\$—
Sunny Creek mortgage receivable		20,413	14,304
Interest receivable		373	—
Development management fee receivable		335	—
Asset management fee receivable		1,243	557
		\$123,240	\$14,861

All of the above transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

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## 23. 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 consistent with the REIT’s accounting policies as described in note 2.

### (a) Operating segments:

Real estate assets by reportable segment as at December 31, 2025 and December 31, 2024 were as follows:

December 31, 2025	Residential	Industrial	Office	Retail	Total
Number of investment properties	26	66	17 <sup>(1)</sup>	27 <sup>(2)</sup>	136 <sup>(1) (2)</sup>
Real estate assets:					
Investment properties	\$3,768,089	\$1,472,309	\$2,357,418 <sup>(1)</sup>	\$530,420	\$8,128,236 <sup>(1)</sup>
Properties under development	662,340	363,774	—	—	1,026,114
	4,430,429	1,836,083	2,357,418	530,420	9,154,350
Less: real estate assets classified as held for sale	—	—	(456,300)	(248,200)	(704,500)
Less: REIT's proportionate share of real estate assets relating to equity accounted investments	(1,206,440)	(87,773)	—	—	(1,294,213)
	\$3,223,989	\$1,748,310	\$1,901,118	\$282,220	\$7,155,637
December 31, 2024	Residential	Industrial	Office	Retail	Total
Number of investment properties	26	65	18 <sup>(1)</sup>	267	376 <sup>(1)</sup>
Real estate assets:					
Investment properties	\$4,276,705	\$1,517,371	\$2,981,406 <sup>(1)</sup>	\$1,556,767	\$10,332,249 <sup>(1)</sup>
Properties under development	807,008	376,095	—	36,443	1,219,546
	5,083,713	1,893,466	2,981,406	1,593,210	11,551,795
Less: real estate assets classified as held for sale	—	—	—	(59,880)	(59,880)
Less: REIT's proportionate share of real estate assets relating to equity accounted investments	(1,500,528)	(68,273)	—	(915,656)	(2,484,457)
	\$3,583,185	\$1,825,193	\$2,981,406	\$617,674	\$9,007,458

<sup>(1)</sup> The REIT legally sold the Bow and 100 Wynford in October 2021 and August 2022, respectively (note 10). However, as the transactions did not meet the criteria of a transfer of control under IFRS 15, \$991,039 is included in the tables above as at December 31, 2025 (December 31, 2024 - \$1,040,254).

<sup>(2)</sup> As at December 31, 2025, ECHO is not included in real estate assets as it is classified as a net investment held for sale.

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**Years ended December 31, 2025 and 2024**

Net operating income by reportable segment for the years ended December 31, 2025 and December 31, 2024 was as follows:

	Residential	Industrial	Office	Retail	Sub-total	Less: equity accounted investments	Year ended December 31, 2025
Rentals from investment properties	\$311,323	\$100,502	\$424,372	\$144,299	\$980,496	(\$165,368)	\$815,128
Property operating costs	(136,491)	(26,561)	(149,859)	(37,558)	(350,469)	44,424	(306,045)
Net operating income	\$174,832	\$73,941	\$274,513	\$106,741	\$630,027	(\$120,944)	\$509,083

	Residential	Industrial	Office	Retail	Sub-total	Less: equity accounted investments	Year ended December 31, 2024
Rentals from investment properties	\$290,923	\$104,063	\$435,154	\$143,301	\$973,441	(\$156,451)	\$816,990
Property operating costs	(123,683)	(24,292)	(151,320)	(39,591)	(338,886)	41,814	(297,072)
Net operating income	\$167,240	\$79,771	\$283,834	\$103,710	\$634,555	(\$114,637)	\$519,918

(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.

	December 31 2025	December 31 2024
Real estate assets:		
Canada	\$3,749,227 <sup>(1)</sup>	\$4,213,880 <sup>(1)</sup>
United States	5,405,123	7,337,915
	9,154,350	11,551,795
Less: Real estate assets classified as held for sale	(704,500)	(59,880)
Less: REIT's proportionate share of real estate assets relating to equity accounted investments	(1,294,213)	(2,484,457)
	\$7,155,637	\$9,007,458

<sup>(1)</sup> The REIT legally sold the Bow and 100 Wynford in October 2021 and August 2022, respectively (note 10). However, as the transactions did not meet the criteria of a transfer of control under IFRS 15, \$991,039 is included in the table above as at December 31, 2025 (December 31, 2024 - \$1,040,254).

	2025	2024
Rentals from investment properties:		
Canada	\$418,728	\$443,695
United States	561,768	529,746
	980,496	973,441
Less: REIT's proportionate share of rentals relating to equity accounted investments	(165,368)	(156,451)
	\$815,128	\$816,990

# H&R REAL ESTATE INVESTMENT TRUST

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## 24. Income tax recovery:

	2025	2024
Income tax computed at the Canadian statutory rate of nil applicable to the REIT for 2025 and 2024	\$—	\$—
Current U.S. income tax expense	<b>(1,651)</b>	(1,462)
Deferred income tax recovery applicable to U.S. Holdco	<b>184,269</b>	60,675
Income tax recovery in the determination of net loss	<b>\$182,618</b>	\$59,213

The 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, 2024 - 23.9%). The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31 2025	December 31 2024
Deferred tax assets:		
Net operating losses	<b>\$95,700</b>	\$104,463
Accounts payable and accrued liabilities	<b>2,531</b>	1,398
	<b>98,231</b>	105,861
Deferred tax liabilities:		
Real estate assets	<b>(226,774)</b>	(352,093)
Equity accounted investments	<b>(83,796)</b>	(166,600)
Other assets	<b>(442)</b>	(354)
	<b>(311,012)</b>	(519,047)
Deferred tax liability	<b>(\$212,781)</b>	(\$413,186)

The change in deferred tax liability is the result of deferred income tax recovery of \$184,269 (2024 - \$60,675) and a foreign currency translation gain of \$16,136 (2024 - loss of \$36,647) recognized in other comprehensive income (loss).

As at December 31, 2025, U.S. Holdco had accumulated net operating losses available for carryforward for U.S. income tax purposes of \$406,973 (December 31, 2024 - \$437,085). \$19,893 of the net operating losses will expire between 2031 and 2032 (December 31, 2024 - \$42,806 expiring between 2031 and 2032). Net operating losses arising after December 31, 2017 do not generally expire under current U.S. tax legislation. The deductible temporary differences do not generally expire under current tax legislation.

## 25. 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 December 31, 2025, the REIT had outstanding letters of credit totalling \$34,527 (December 31, 2024 - \$47,439), including \$20,206 (December 31, 2024 - \$20,000) which has been pledged as security for certain mortgages payable. The letters of credit may be secured by certain investment properties.

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(b) 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 December 31, 2025, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was \$94,262, which expire between 2027 and 2030 (December 31, 2024 - \$97,485, which expire between 2027 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 December 31, 2025, the estimated amount of debt subject to such guarantees, and therefore the maximum exposure to credit risk, was \$65,096, which expires in 2027 (December 31, 2024 - \$67,249, which expires in 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 consolidated 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) On May 8, 2025, the REIT entered into a construction loan agreement with REDT JV LP for a principal amount of up to U.S. \$136,200, bearing interest at 9.0% per annum (the "REDT Loan"). The REDT Loan is interest only and prepayable at any time with the REIT's consent. The REDT Loan is secured by a pledge of the ownership interests in the entities that directly hold title and beneficial ownership to the REDT Projects, and matures on May 8, 2029, subject to two 1-year extensions, subject to the REIT's approval in its sole discretion. As at December 31, 2025, the balance outstanding on the REDT Loan was U.S. \$73,632 (Canadian equivalent - \$100,876), therefore the remaining balance that the REIT is committed to fund is U.S. \$62,568 (Canadian equivalent - \$85,718).

(d) The REIT provided a guarantee on behalf of its Central Pointe joint venture partners for a maximum amount of U.S. \$52,929 (Canadian equivalent - \$72,513), to be utilized upon any drawdowns under the Central Pointe construction financing facility. As at December 31, 2025, no amounts had been drawn on this facility, and accordingly, the REIT had no guarantee exposure.

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

(f) 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 consolidated financial statements.

## 26. Subsidiaries:

Subsidiaries are entities controlled by the REIT. The REIT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The following are the REIT's subsidiaries:

Name of Entity	Place of Business	Ownership interest	
		December 31 2025	December 31 2024
H&R Portfolio Limited Partnership	Canada	100%	100%
H&R REIT Management Services Limited Partnership	Canada	100%	100%
H&R REIT (U.S.) Holdings Inc.	United States	100%	100%
Lantower Residential Limited Partnership	United States	100%	100%

# H&R REAL ESTATE INVESTMENT TRUST

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## **27. Subsequent events:**

In January 2026, the REIT sold its net investment in ECHO, 23 Canadian retail properties and two Canadian office properties for net proceeds of approximately \$727,300 before closing costs. Each of these dispositions were recorded as assets held for sale as at December 31, 2025. The proceeds have been used to repay debt.

## EXPERIENCED AND TENURED EXECUTIVE TEAM

Thomas J. 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

Audrey Craig  
EVP, Accounting  
Lantower Residential

Terresa Porizek  
EVP, Organization Development  
Lantower Residential

## BOARD OF TRUSTEES

Leonard Abramsky<sup>(2)</sup>  
President, The Dunloe Group Inc.

Lindsay Brand<sup>(3)</sup>  
Chief Investment Officer, Concert Properties

Jennifer A. Chasson<sup>(2)</sup>  
Founder & President, Springbank Capital Corporation

Donald Clow<sup>(1,2,3)</sup>  
Independent Lead Trustee

Mark Cowie<sup>(1)</sup>  
Principal, Cowie Capital Partners

Stephen Gross<sup>(3)</sup>  
Principal, Initial Corporation

Brenna Haysom<sup>(2,3)</sup>  
Chief Executive Officer, Rally Labs

Thomas J. Hofstedter<sup>(1)</sup>  
Executive Chairman & CEO, H&R REIT

Juli Morrow  
Lawyer

Marvin Rubner<sup>(1)</sup>  
Manager & Founder, YAD Investments Limited

## CORPORATE INFORMATION

### TAXABILITY OF DISTRIBUTIONS

H&R's cash distributions amounted to \$0.60 per Unit during 2025. The REIT also made a special distribution to unitholders of record on December 31, 2025 of \$0.15 per Unit payable in additional Units, which were immediately consolidated such that there was no change in the number of outstanding Units. The special distribution increased 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, 301 - 100 Adelaide Street West, Toronto, ON M5H 4H1. Telephone: 1-800-387-0825 (or for callers outside North America 416-682-3860), Fax: 1-888-249-6189 or 1-514-985-8843, E-mail: [shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com), Website: [www.tsxtrust.com](http://www.tsxtrust.com)

### CONTACT INFORMATION

Investors, investment analysts and others seeking financial information should go to our website at [www.hr-reit.com](http://www.hr-reit.com), or e-mail [info@hr-reit.com](mailto: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.

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

An aerial photograph of the Toronto skyline, featuring the CN Tower prominently in the center. The city is densely packed with skyscrapers, and the surrounding area includes water bodies and green spaces. The image has a blue-tinted, hazy atmosphere.

HR.UN - TSX  
Ticker

**H&R Real Estate Investment Trust**

3625 Dufferin Street, Suite 500  
Toronto, Ontario, Canada, M3K 1N4

**HR**  
REIT