



# H&R Real Estate Investment Trust (HRUFF)

Updated May 17<sup>th</sup>, 2026, by Nikolaos Sismanis

## Key Metrics

|                             |        |                                             |             |                                  |            |
|-----------------------------|--------|---------------------------------------------|-------------|----------------------------------|------------|
| <b>Current Price:</b>       | \$7.51 | <b>5 Year Annual Expected Total Return:</b> | -1.1%       | <b>Market Cap:</b>               | \$2.1 B    |
| <b>Fair Value Price:</b>    | \$4.90 | <b>5 Year Growth Estimate:</b>              | 0.0%        | <b>Ex-Dividend Date:</b>         | 05/29/2026 |
| <b>% Fair Value:</b>        | 153%   | <b>5 Year Valuation Multiple Estimate:</b>  | -8.2%       | <b>Dividend Payment Date:</b>    | 06/15/2026 |
| <b>Dividend Yield:</b>      | 5.9%   | <b>5 Year Price Target</b>                  | \$4.90      | <b>Years Of Dividend Growth:</b> | 0          |
| <b>Dividend Risk Score:</b> | F      | <b>Sector:</b>                              | Real Estate | <b>Rating:</b>                   | Sell       |

## Overview & Current Events

H&R Real Estate Investment Trust owns 105 properties across Canada and the United States, excluding The Bow and 100 Wynford. Its portfolio includes 26 U.S. residential properties with 8,929 units, 66 industrial properties totaling 8.3 million square feet, 12 office properties with 3.3 million square feet, and 1 retail property totaling 0.5 million square feet. The REIT continues to prioritize residential and industrial assets while reducing exposure to office and retail. The REIT pays dividends monthly and reports its financials in CAD. All figures in this report have been converted to USD unless otherwise noted. The stock trades at a market cap of \$2.1 billion.

On May 14<sup>th</sup>, 2026, H&R Real Estate Investment Trust reported its Q1 results for the period ending March 31<sup>st</sup>, 2026. The REIT generated rentals from investment properties of about US\$134.3 million for the quarter, compared to about \$143.2 million last year, reflecting a decline year-over-year. H&R's Funds from Operations for the quarter totaled about \$55.6 million, down from about \$57.9 million last year. The decrease in FFO was mainly attributable to lower property-level contribution from the repositioned portfolio and asset sales, partially offset by lower finance costs, higher finance income and lower trust expenses. We forecast FFO per share of \$0.70 for FY2026.

## Growth on a Per-Share Basis

| Year                      | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026          | 2031          |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>FFO</b>                | \$1.15 | \$1.21 | \$1.03 | \$1.00 | \$1.00 | \$0.96 | \$0.73 | \$0.84 | \$0.66 | \$0.72 | <b>\$0.70</b> | <b>\$0.70</b> |
| <b>DPS</b>                | \$1.01 | \$1.10 | \$1.01 | \$1.06 | \$0.72 | \$0.55 | \$0.40 | \$0.45 | \$0.42 | \$0.44 | <b>\$0.44</b> | <b>\$0.44</b> |
| <b>Shares<sup>1</sup></b> | 282.2  | 288.8  | 287.1  | 286.1  | 286.8  | 287.7  | 272.7  | 263.8  | 262.0  | 262.6  | <b>264.6</b>  | <b>262.0</b>  |

Over the past decade, H&R REIT's FFO per share has shifted from a pattern of steady growth and stability to a declining trend in recent years. In 2016 and 2017, FFO per share rose, powered by the REIT's diversified portfolio of high-quality office, retail, and industrial properties, complemented by U.S. residential expansion under the Lantower brand. This was a period of strong leasing fundamentals, long-term contracts with investment-grade tenants, and successful developments like Jackson Park in NYC which supported consistent growth for the REIT.

In 2018, the REIT began streamlining its portfolio by disposing of lower-growth assets and reinvesting in higher-yielding U.S. residential and industrial properties. While these moves were supposed to boost long-term growth, they began to modestly compress profitability. The early stages of repositioning involved upfront costs, asset sales, and development projects. However, these projects were not producing income.

The COVID-19 pandemic in 2020 significantly deepened this trend. It disrupted leasing activity, delayed development timelines, and pressured office and retail income. These were two segments where H&R still had significant exposure. While the REIT preserved stability by cutting distributions and reinforcing liquidity, the economic fallout added to the earnings pressure already underway from the repositioning strategy. As H&R intensified its strategic transformation beginning in 2021, including the spin-off of its retail platform and the acceleration of non-core asset dispositions, FFO per share declined to \$0.73 in 2022 and further to \$0.66 in 2024. Performance subsequently rebounded to \$0.70 in 2025, reflecting stabilization within the streamlined portfolio and benefits from a more efficient cost structure. Moving

<sup>1</sup> Share count is in millions.

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forward, we expect no growth in FFO and the dividend due to the ongoing portfolio transition, elevated interest rates, and the delayed income contribution from development projects that are still in lease-up or under construction.

## Valuation Analysis

| Year       | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now  | 2031 |
|------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/FFO | 15.1 | 13.6 | 15.9 | 16.6 | 12.0 | 11.4 | 15.5 | 10.8 | 11.4 | 10.9 | 10.7 | 7.0  |
| Avg. Yld.  | 5.8% | 6.7% | 6.2% | 6.4% | 6.0% | 5.0% | 3.5% | 5.0% | 5.6% | 5.6% | 5.9% | 9.0% |

H&R REIT's P/FFO multiple has gradually compressed over the past decade, driven by declining FFO, uncertainty from its ongoing portfolio repositioning, and weaker investor sentiment around office exposure and delayed development cash flow. Today, the stock trades at 10.7 times FFO. While this appears like a soft valuation, we believe H&R REIT deserves to trade at a more modest valuation given the challenges it faces and overall uncertainty attached to it.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

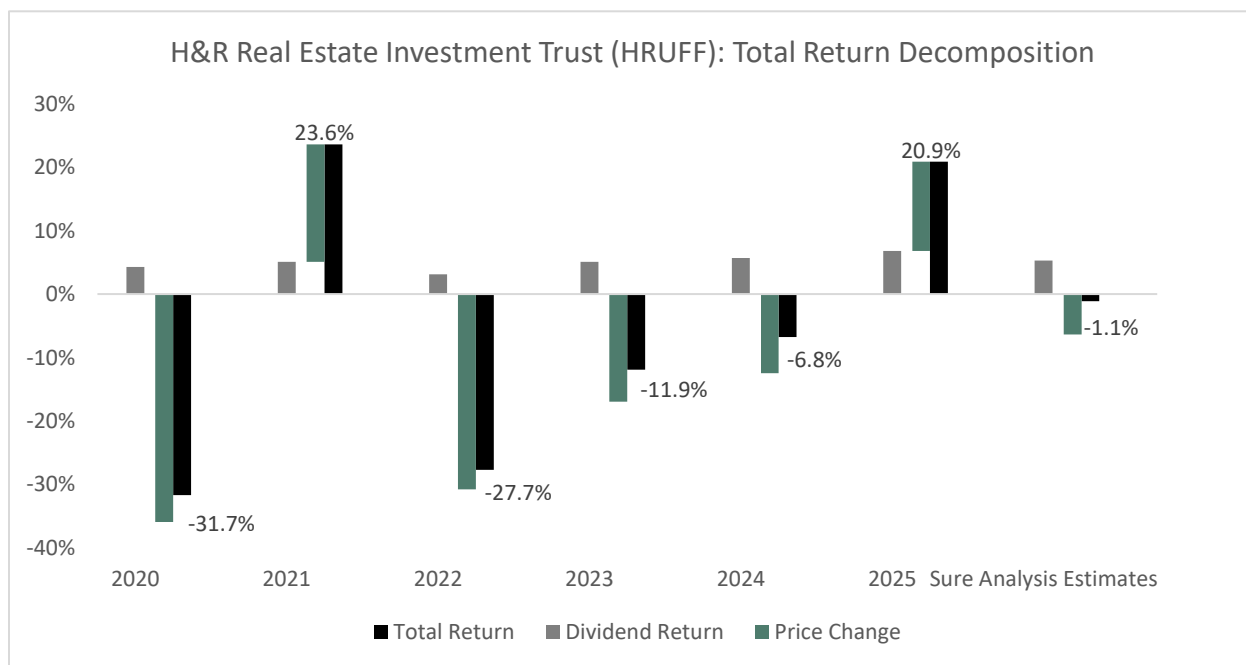
| Year   | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 88%  | 91%  | 98%  | 106% | 72%  | 57%  | 55%  | 54%  | 64%  | 61%  | 63%  | 63%  |

H&R REIT offers moderate safety, backed by a strong balance sheet and diversified tenant base, though its recent asset sales and development focus have introduced some notable volatility in FFO. The portfolio quality is improving while it shifts toward Class A U.S. residential and industrial assets, but remains weighed down by lingering office exposure. Its competitive advantage lies in its scale, development pipeline, and deep experience across property types. However, we believe that the REIT's recession resiliency is mixed. Its residential and industrial assets could provide stability, but its office and retail segments remain vulnerable to economic downturns.

## Final Thoughts & Recommendation

H&R REIT offers limited growth potential in our view, as reflected in our stagnant FFO and a lack of expected dividend growth. While it may appear discounted on a historical basis, we believe the REIT remains overvalued considering its weak fundamentals, slow execution, and lingering portfolio risks. For these reasons, we rate H&R REIT a sell.

## Total Return Breakdown by Year



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## Income Statement Metrics

| Year             | 2016  | 2017  | 2018  | 2019  | 2020   | 2021  | 2022  | 2023  | 2024   | 2025   |
|------------------|-------|-------|-------|-------|--------|-------|-------|-------|--------|--------|
| Revenue          | 903   | 902   | 908   | 866   | 820    | 850   | 642   | 627   | 596    | 583    |
| Gross Profit     | 555   | 558   | 552   | 515   | 485    | 505   | 394   | 387   | 364    | 341    |
| Gross Margin     | 61.4% | 61.9% | 60.8% | 59.5% | 59.1%  | 59.5% | 61.4% | 61.6% | 61.1%  | 58.5%  |
| Operating Profit | 555   | 558   | 552   | 515   | 485    | 505   | 394   | 387   | 364    | 329    |
| Operating Margin | 61.4% | 61.9% | 60.8% | 59.5% | 59.1%  | 59.5% | 61.4% | 61.6% | 61.1%  | 56.4%  |
| Net Profit       | 294   | 515   | 261   | 256   | (466)  | 477   | 649   | 46    | (87)   | (567)  |
| Net Margin       | 32.5% | 57.2% | 28.7% | 29.6% | -56.8% | 56.1% | 101%  | 7.3%  | -14.7% | -97.3% |
| Free Cash Flow   | 276   | 330   | 312   | 267   | 279    | 323   | 169   | 188   | 171    | 170    |
| Income Tax       | 152   | (30)  | 31    | 27    | (40)   | 4     | 78    | (23)  | (43)   | (131)  |

## Balance Sheet Metrics

| Year                 | 2016   | 2017   | 2018   | 2019   | 2020   | 2021  | 2022  | 2023  | 2024  | 2025  |
|----------------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|
| Total Assets         | 10,499 | 11,578 | 10,786 | 11,088 | 10,474 | 8,236 | 8,409 | 8,124 | 7,400 | 6,716 |
| Cash & Equivalents   | 36     | 34     | 39     | 37     | 49     | 97    | 57    | 48    | 70    | 45    |
| Accounts Receivable  | 10     | 13     | 9      | 9      | ---    | ---   | ---   | ---   | ---   | ---   |
| Total Liabilities    | 5,372  | 5,868  | 5,500  | 5,695  | 5,712  | 4,492 | 4,366 | 4,210 | 3,722 | 3,584 |
| Long-Term Debt       | 4,555  | 5,164  | 4,806  | 4,881  | 4,994  | 3,055 | 2,890 | 2,779 | 2,465 | 2,555 |
| Shareholder's Equity | 5,127  | 5,710  | 5,286  | 5,392  | 4,761  | 3,744 | 4,043 | 3,914 | 3,678 | 3,017 |
| LTD/E Ratio          | 0.89   | 0.90   | 0.91   | 0.91   | 1.05   | 0.82  | 0.71  | 0.71  | 0.67  | 0.85  |

## Profitability & Per Share Metrics

| Year             | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025   |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Return on Assets | 2.9%  | 4.7%  | 2.3%  | 2.3%  | -4.3% | 5.1%  | 7.8%  | 0.6%  | -1.1% | -8.0%  |
| Return on Equity | 5.8%  | 9.5%  | 4.7%  | 4.8%  | -9.2% | 11.2% | 16.7% | 1.1%  | -2.3% | -16.9% |
| ROIC             | 3.0%  | 5.0%  | 2.5%  | 2.5%  | -4.7% | 5.8%  | 9.5%  | 0.7%  | -1.4% | -9.7%  |
| Shares Out.      | 282.2 | 288.8 | 287.1 | 286.1 | 286.8 | 287.7 | 272.7 | 263.8 | 262.0 | 262.6  |
| Revenue/Share    | 3.20  | 3.12  | 3.16  | 3.03  | 2.86  | 2.95  | 2.35  | 2.38  | 2.28  | 2.22   |
| FCF/Share        | 0.98  | 1.14  | 1.09  | 0.93  | 0.97  | 1.12  | 0.62  | 0.71  | 0.65  | 0.65   |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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