

## PRESS RELEASE

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# Melcor Developments announces first quarter results, declares quarterly dividend of \$0.13

Edmonton, Alberta | May 9, 2017

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended March 31, 2017. Revenue for the quarter was \$38.57 million up 26% over Q1-2016. Revenue growth was driven by a significant increase in sales in the Community Development division which led to an 86% increase in divisional revenue compared to the first quarter of 2016. Revenue from income-producing assets (Investment Properties and the REIT) grew by 5% over Q1-2016 and gross leasable area increased by 3%.

Melcor recorded a net loss of \$9.00 million or \$0.27 per share loss (basic), compared to net loss of \$7.71 million or \$0.23 per share loss (basic) in the same period of 2016. The net loss is significantly impacted by the \$13.80 million non-cash fair value loss on investment properties recorded in the period due to an increase in capitalization rates (loss of \$1.02 million in Q1-2016).

Funds from operations (FFO) was \$6.08 million (\$0.18 per share) compared to \$4.19 million (\$0.13 per share) in the same period of 2016. FFO adjusts for all non-cash earnings items and management believes it better reflects the company's true operating performance.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "I'm pleased to report on a solid first quarter with encouraging results in each of our operating divisions.

With less than one year's worth of inventory in our Community Development division, we are constructing new phases in active communities where inventory has been depleted and we have also put shovels in the ground in three brand new communities - Copperhaven in Spruce Grove, Evergreen in Red Deer and Harmony outside of Denver, CO.

Our Property Development division is breaking ground on two new neighbourhood shopping centres in Edmonton - Jensen Lakes Crossing and The Shoppes at Jagare Ridge. They are also building a new office building at The Village at Blackmud Creek.

Our Investment Properties and REIT divisions now have a portfolio of close to 4 million square feet of high quality commercial and residential properties and have maintained stable occupancy and steady results. The REIT has completed over 90,000 square feet in new and renewed leases.

Several challenges remain in the markets where we operate, however we remain well positioned for the future with a strong and conservatively managed balance sheet."

The Board today declared a quarterly dividend of \$0.13 per share, payable on June 30, 2017 to shareholders of record on June 15, 2017. The dividend is an eligible dividend for Canadian tax purposes.

## First Quarter Results

We achieved solid results in each of our main operating divisions in Q1-2017, with growth over the comparable quarter driven by the significant increase in sales in the Community Development division over Q1-2016. Efforts throughout 2016 to work with our builders and diversify our product mix with a focus on more affordable lot options to respond to market trends resulted in a strong first quarter and better positioned inventory in many of our active communities.

We continue to conservatively manage our assets and liabilities to create a strong and stable balance sheet that will enable us to take advantage of opportunities to grow our business via opportunistic raw land and commercial income-producing property acquisitions.

Highlights of the first quarter include:

- Revenue increased 26% to \$38.57 million compared to Q1-2016 primarily due to increased lot sales in the Community Development division. This resulted in a divisional revenue growth of 86% over Q1-2016. The Investment Properties and REIT division combined revenue grew by 5% over the same period.
- Income producing properties increased by 110,007 sf since Q1-2016.
- The net loss of \$9.00 million is significantly impacted by the \$13.80 million non-cash fair value loss on investment properties recorded in the period due to an increase in capitalization rates, as well as fair value losses on REIT units

due to price appreciation. Management believes funds from operations (FFO) is a better reflection of our true operating performance. Funds from operations was \$6.08 million compared to \$4.19 million in Q1-2016.

- We continue to invest in land holdings for future development and made the following acquisitions during the quarter:
  - 59.04 acres in Lethbridge, AB for a purchase price of \$1.56 million;
  - 39.91 acres in Edmonton, AB for a purchase price of \$0.98 million; and
  - a 50% interest in 52.9 acres in Calgary, AB for a purchase price of \$1.90 million.
- Subsequent to the quarter, the REIT completed the sale of a 67,610 sf industrial building in Lethbridge, AB for \$7.76 million (including transaction costs).
- We paid a quarterly dividend of \$0.13 per share on April 5, 2017. The REIT paid distributions of \$0.05625 per trust unit in January, February and March for a quarterly payout ratio of 73%.
- On March 17, 2017 we announced the appointment of Darin Rayburn as Melcor's President & Chief Executive Officer effective April 15, 2017.
- On May 9, 2017 we declared a quarterly dividend of \$0.13 per share, payable on June 30, 2017 to shareholders of record on June 15, 2017. The dividend is an eligible dividend for Canadian tax purposes.

## Selected Highlights

(\$000s except as noted)	Three months ended		
	31-Mar-17	31-Mar-16	Change
Revenue	38,567	30,554	26.2 %
Gross margin (%) *	48.3 %	52.1 %	(3.8)%
Net income (loss)	(9,003)	(7,714)	16.7 %
Net Margin (%) *	(23.3)%	(25.2)%	1.9 %
Funds from operations *	6,078	4,190	45.1 %
<i>Per Share Data (\$)</i>			
Basic earnings (loss)	(0.27)	(0.23)	17.4 %
Diluted earnings (loss)	(0.27)	(0.23)	17.4 %
Funds from operations *	0.18	0.13	38.5 %

  

As at (\$000s except as noted)	31-Mar-17	31-Dec-16	Change
Shareholders' equity	980,801	994,721	(1.4)%
Total assets	1,870,938	1,891,988	(1.1)%
<i>Per Share Data (\$)</i>			
Book value *	29.41	29.83	(1.4)%

### MD&A and Financial Statements

Information included in this press release is a summary of results. This press release should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2017, which can be found on the company's website at [www.Melcor.ca](http://www.Melcor.ca) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

### About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona, Colorado and Texas.

Melcor has been focused on real estate since 1923. The company has built over 100 communities across Western Canada and today manages 3.88 million sf in commercial real estate assets and 612 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

### **Forward Looking Statements**

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This news release and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2017 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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